Austria Sch22	Indonesia Rp3100	Portugal Esc100
Bahrain Din0.650	Israel IS3.50	S.Arabia Rls6.00
Belgium BFr48	Italy L1600	Singapore S$4.10
Canada C$1.50	Japan Y600	Spain Pta125
Cyprus C£0.75	Jordan Fils500	Sri Lanka Rup30
Denmark DKr9.00	Kuwait Fils500	Sweden SKr8.00
Egypt E£2.25	Lebanon $L125.00	Switzerland SFr2.20
Finland Fmk7.00	Luxembourg LFr48	Taiwan NT$65
France FFr6.50	Malaysia Rin4.25	Thailand Bht50
Germany DM2.20	Mexico Pes300	Tunisia Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong HK$12	Netherlands Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr8.00	USA $1.50

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Why the Shadow casts a pall over Central Park, Page 26

World News

Drug group threatens Bonn with court action

West German pharmaceuticals companies threatened to take the Bonn Government to court over plans to reform the state health system.

A proposal to save DM14bn ($8.4bn) would wipe out profits, said the West German drug industry association. The sector includes Hoechst and Bayer.

The Government wants state insurance only to pay people for medicines when they choose cheaper ones from a list of comparable products. It also wants to enlarge a list of medicines deemed of dubious therapeutic value not paid for by health funds.

Air crash theory

Investigators of the US airline crash that killed 43 people, including Mr James Sylla, president of Chevron Oil, are considering reports that a former airline employee smuggled a gun on board. Page 4

Peru avalanche

Avalanche of mud and boulders killed more than 100 Peruvians and left 2,000 homeless in five Amazon basin countries

Tunis purges leaders

Zine al-Abidine Ben Ali, Tunisia's President, sacked from the political bureau of the ruling party all but three who served under Habib Bourguiba, his predecessor. Those fired include Bourguiba's son and former foreign minister.

'Buy debts' advice

Latin American countries should buy back their debts on the secondary market, in which Third World loans are traded at discounts to face value, says a UK-based analysis firm. Page 4

Renault clash planned

The French Communist Party plans to propose up to 12,000 amendments in a parliamentary debate on the future of Renault, the state-owned car group, to force a showdown with the conservative Government. Page 2

Yugoslavs sacked

Two leaders of Yugoslavia's Communist Party were expelled from its central committee for their part in the country's financial troubles.

Row at HK meeting

Three Hong Kong politicians walked out of a meeting with a UK Foreign Office minister. The politicians, members of Hong Kong's legislative council, brought six uninvited visitors who were refused entry, said the Foreign Office.

Walesa link rejected

Warsaw again rejected the idea of opening contacts with Mr Lech Walesa, the leader ofthe banned Solidarity movement, despite expectations raised by the appearance of an interview in a Bulgarian newspaper. Page 3

Athens fights smog

Greece declared emergency anti-pollution measures to combat heavy smog over Athens. Many vehicles were banned from the city centre, and others were restricted in a 300 square kilometers zone.

Manila bomb hurts four

A bomb exploded at Manila Airport injuring four people, less than a week before leaders from Japan and other Asean countries meet in the Philippine capital.

AIDS gathering

Over 160 health ministers have been invited to London next month to discuss how to fight AIDS. These will be the first ministerial talks devoted solely to AIDS, said the World Health Organisation.

Christmas cash pledge

The Bank of France said the strike that has crippled the country's cheque clearance system will not lead to a shortage of banknotes during the Christmas shopping rush.

Business Summary

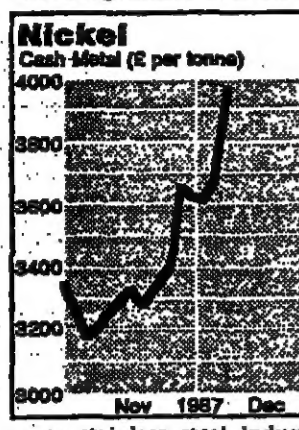
Icahn may double Texaco holdings

CARL ICAHN, the US investor who is playing a key role in moves to settle the long-running dispute between Texaco and Pennzoil, says he has bought stock in Pennzoil and may double the big Texaco block he already holds.

Trans World Airlines – which is controlled by Mr Icahn – said in a filing with the Securities and Exchange Commission that it might try to buy more than 25 per cent of Texaco, the large US oil company. Page 27

CANNON, international film company, is drawing up diversification plans with its new partner, Interpart, a Luxembourg-based company. Page 27

NICKEL prices continued to rise on the London Metal Exchange helped by expectations of continued strong demand from the Japanese stainless steel industry. Cash metal closed up £228 at £3,972.50 a tonne. Commodities, Page 38



WALL STREET: The Dow Jones industrial average closed 56.20 up at 1,888.37. Page 50

LONDON: British Petroleum's sweeping purchase of Britoil shares buoyed sentiment to leave the FT-SE 100 index a net 26.0 higher at 1,624.4 and the FT Ordinary index up 15.6 at 1,294.9. Details Page 46

TOKYO: The yen's stability and Wall Street's advance prompted a broad rally to take the Nikkei average 361.82 higher at 22,948.34. Page 50

DOLLAR closed in New York at DM1.6635, FFr5.6410, SFr1.3585 and Y132.65. It closed in London at DM1.6680 (DM1.6715); SFr1.3640 (SFr1.3660); FFr5.6525 (FFr5.6650); Y132.70 (Y132.75). Page 39

STERLING closed in New York at $1.7995. It closed in London at $1.7965 ($1.7945); DM2.9975 (DM3.00); SFr2.4500 (SFr2.4525); FFr10.1550 (FFr10.1650); Y238.50 (Y238.25). Page 39

DYLEX, Canada's largest chain of specialty stores, with annual sales of more than C$2.5bn (US$1.92bn), says its main US affiliate will seek protection under the US Bankruptcy Code, after two years of heavy losses.

NAVISTAR INTERNATIONAL, largest US producer of heavy and medium-duty trucks, has shown a sharp improvement in profits thanks to higher shipments of heavy trucks and diesel engines and reduced interest expense. Page 27

TANDON, California-based personal computer and disk drive manufacturer, is to sell its disk drive operations to Western Digital Corporation, a maker of personal computer sub-systems, for between $40m and $45m and the elimination of $22m in loans made to Tandon by Western Digital. Page 27

SCHINDLER HOLDING, Swiss parent company of Schindler group, has taken control of Nippon Elevator Industry, Japanese manufacturer. Page 28

ALCATEL NV, French telecommunications group, is in advanced talks to merge its West German television manufacturing operations with those of Nokia, diversified Finnish consumer electronics group. Page 28

CSR, Australian building products, sugar and resources group, is to spend A$75m (US$52.4m) to acquire a 50 per cent stake in a brick and pipe-making venture with Brickworks, largest brick producer in New South Wales. Page 29

Reagan and Gorbachev sign historic arms reduction pact

BY STEWART FLEMING AND ROBERT MAUTHNER IN WASHINGTON

PRESIDENT RONALD Reagan and Mr Mikhail Gorbachev, the Soviet leader, broke new ground in the history of US-Soviet arms control accords yesterday as they signed a treaty eliminating a whole class of nuclear weapons for the first time.

Both leaders in their opening addresses expressed hopes that their first meeting on American soil would lay the foundations for more sweeping agreements to reduce drastically their nuclear arsenals.

The signing was welcomed by European leaders.Mrs Margaret Thatcher the British Prime Minister, described the treaty as "a marvellous Christmas present, an extra piece of goodwill and a lovely way to end the year."

The ceremony concluding the intermediate nuclear forces negotiations came in the middle of a day of solemn pageantry and oratory in Washington which opened on the South Lawn of the White House.

Clouds of smoke from the 21-gun salute, which marked the arrival of the Soviet leader and his wife, drifted over the crowd of dignitaries and the military bands assembled to welcome them.

Mr Reagan in his welcoming address described the first visit of a Soviet leader to the city in 14 years as "momentous...because it represents the coming together not of allies but of adversaries."

Soviet leader Mikhail Gorbachev and US President Reagan sign the agreement scrapping intermediate-range nuclear missiles

He warned there were "weighty differences between our governments and systems which will not go away by wishful thinking or expressions of goodwill, no matter how sincerely delivered."

In his response, Mr Gorbachev sought to dismiss criticism by American sceptics regarding his programme of reforms and underscored his commitment to radical reductions in strategic long-range nuclear weapons.

"Soviet foreign policy today is most intimately linked with the perestroika, the domestic restructuring of Soviet society. . . . democratisation and glasnost are the decisive prerequisties for the success of those reforms . . . they guarantee . . . that the course we are pursuing is irreversible," he said.

"I have come to Washington with the intention of advancing the next and more important goal of reaching agreement to reduce by half strategic offensive arms in the context of a firm guarantee of strategic stability."

He saw the INF treaty as "the first step down the road to a nuclear-free world whose construction you, Mr President, and I discussed at (the summit in) Reykjavik."

The intermediate arms treaty, which for the first time requires the superpowers to reduce the number of missiles in their nuclear arsenals, provides for the elimination of about 4 per cent of US and Soviet nuclear weapons. It also provides for the most intrusive verification regime ever devised.

Some 1,900 Soviet and 850 US missiles with a range of between 300 and 3,000 miles will be destroyed in the next three years under the treaty.

As he listened, the President, the most ardent anti-communist to occupy the White House, smiled wryly and winked once or twice to associates in the crowd.

Mr Gorbachev said later he had heard some "new words" from the President in his welcoming remarks with which he was pleased.

Background, Page 4; UK-Soviet trade deals, Page 9

Summit turns to face next hurdle

BY ROBERT MAUTHNER IN WASHINGTON

THE SIGNIFICANCE of the Intermediate-range Nuclear Forces (INF) deal signed by President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, in Washington yesterday is not just that it is the first agreement under which nuclear arms will be reduced.

It has also provided the psychological trigger for the negotiation of a much wider -ranging arrangement for the reduction of strategic nuclear weapons (Start).

Although under the treaty the US and the Soviet Union will eliminate all their ground -launched medium-range nuclear weapons worldwide – some 850 US missiles and 1,900 Soviet missiles are due to be destroyed – this still only represents about 4 per cent of the planet's nuclear arsenals.

The bulk of these arsenals, which now have to be dealt with, is the strategic nuclear weapons with a range of more than 5,000km. The summit's success or failure will be measured by progress on this issue.

No one believes that a final agreement is just around the corner. Indeed, official spokesmen have expressed doubts that it can be reached in time for the next scheduled summit in Moscow in the spring of 1988.

But the aim of both sides is to forge ahead as quickly as possible and to lay at least the foundations of a strategic nuclear arms treaty during the summit.

The US and the Soviet Union have already agreed in principle on what they claim would amount to a 50 per cent reduction of their strategic nuclear arsenals.

Both sides have agreed to cut their offensive strategic nuclear forces to 6,000 warheads and 1,600 launchers. It would be the first time that the two superpowers had agreed to destroy, as distinct from merely limit, a substantial number of their strategic weapons.

Independent experts have pointed out, however, that the proposed cuts, important as they are, would not be as far-reaching as the politicians of both sides claim. The real proportion of warheads

Continued on Page 26

Greenspan warns of US deficit threat to markets

By Roderick Oram in New York

MR ALAN GREENSPAN, chairman of the US Federal Reserve Board, warned yesterday that world financial markets could suffer further upheavals unless Washington came to grips with fiscal policy and the budget deficit.

"Ample fiscal discipline is an essential element of policies to foster sustained growth and maintain progress against inflation," he said.

In one of his few public comments since the October stock market crash he told a New York audience that "prudent monetary policy" alone was insufficient to ensure sound economic progress. It must be coupled with credible reduction in the Federal Government's budget deficit.

Mr Greenspan declined, however, to answer questions on the dollar after his speech to the National Council of Savings Institutions. Some observers thought that this refusal might have been an attempt to re-emphasise the division between the Fed's responsibility for monetary policy and the Administration's for the dollar and fiscal policy.

Mr Greenspan said he hoped the recent budget agreement would be only the first of several bi-partisan efforts to cut the deficit. However, a lack of action could adversely affect the psychology of financial markets.

"Financial markets around the world will continue to be subject to shocks as long as there has not been a reasonable resolution of these problems."

His comments, however, illicited little response from foreign exchange and bond markets. "He was too platitudinous; he didn't speak directly to how the problems will be solved," said one money market economist.

Stocks, however, enjoyed a late surge, thanks largely to futures-related program trading apparently unconnected with Mr Greenspan's comments.

Uncertainty over the course of central bank policy has grown in recent days. Interest rates rose sharply on Monday and moderately yesterday after the Fed failed to add reserves to the banking system.

Most analysts said it was too early to tell if the Fed was moving decisively to tighten monetary policy, but others suggested the Fed might be allowing interest rates to rise a fraction to help support the dollar, a move favoured by European central banks to counter-balance their discount rate cuts last week.

The central bank had been irritated by the way Mr James Baker, the Treasury Secretary, called for a highly accommodating monetary policy to ease the pain of the October market crash. The Fed felt he was intruding on to its territory.

Money markets, Page 39

Opec nations pessimistic on sustainable oil price accord

BY RICHARD JOHNS IN VIENNA

DELEGATES to the Organisation of Petroleum Exporting Countries meeting in Vienna were yesterday pessimistic that they could reach an accord strong enough to sustain an oil price of $18 a barrel, let alone a higher one.

Convening for what is expected to be a tense meeting, delegates to the conference, which starts today, fear that the intense hostility between Iran and Iraq could lead to the collapse of the fixed price structure set up a year ago.

Iran yesterday reiterated its demand for an increase in the basic reference price to at least $20 a barrel to compensate for the depreciation of the dollar and inflation over the past year.

Sheikh Ali Khalifa al Sabah, Kuwait's chief delegate, however, joined Saudi Arabia, the predominant Opec power, in saying the organisation must avoid trying to increase the price.

With commercial oil stocks high and a big surplus overhanging the market, the debate seems likely to concentrate on the maximum output limit consistent with maintaining the $18-a-barrel price, coupled with appropriate production quotas for individual member states.

There is also expected to be lively debate over likely demand for Opec crude in 1988.

On this score, it is understood that the conservative Arab producers of the Gulf, predicting a 1.2 per cent rise in demand, are more optimistic than Iran, Algeria and Libya, which expect only a 0.5 per cent increase.

Sheikh Ali Khalifa suggested on Monday that a ceiling on the organisation's output of 18.4m barrels a day (b/) would be compatible with maintaining an $18 reference price. The organisation's current ceiling, set in June, is 16.6m b/d.

Raising the overall limit could allow quota parity between Iran and Iraq and also some increase to be shared among other members.

The latest International Energy Agency forecast indicates a possible requirement for Opec oil of up to 19.3m b/d in the first quarter of 1988, but sees this falling to only 16.5m b/d in the second quarter.

Some analysts believe demand could fall considerably more.

However, in spite of current pessimism on prices, the oil market has been surprisingly steady. Prices yesterday were about 50 cents higher than they were two weeks ago, when most members had effectively abandoned their offical selling price formulas.

The market appears to have learnt a lesson from the last two Opec meetings, when an unexpected degree of accord between members led to a steep rise in prices.

Stage set for battle, Page 38

Gibraltar minister may resign over airport deal

BY JOE GARCIA IN GIBRALTAR

SIR JOSHUA HASSAN, the Chief Minister of Gibraltar, is widely expected to announce his resignation today. Gibraltar Radio said that Sir Joshua had informed Sir Peter Terry, Governor of the British colony, that he intended to return to the backbenches until the general election, due early next year.

Although his retirement has been rumoured for some time, Sir Joshua's decision appears to have been accelerated by last week's agreement between Britain and Spain on joint use of the disputed colony's tiny airport, which was fiercely opposed by most of Gibraltar's 30,000 inhabitants.

Sir Joshua, 72, has been the colony's dominant political figure for over 40 years and has been Chief Minister since 1972. The British Government has relied on him extensively since the death of General Franco in

Continued on Page 26

BP buys 15% stake in Britoil

BY LUCY KELLAWAY AND MAX WILKINSON IN LONDON

BRITISH PETROLEUM yesterday bought a 15 per cent stake in Britoil, the largest UK independent oil company, in a surprise dawn raid, and announced details of a tender offer to increase its stake to 29.9 per cent.

The tender price of £3 ($5.37) a share is well above the 185p closing price on Wednesday and values the total stake at about £450m.

BP said yesterday that it regarded the stake as "a good commercial investment" at the price paid, although the market believes that BP intends eventually to make a full bid for the company.

The move comes less than a month after BP was at the receiving end of a series of stock market raids in which the Kuwait Investment Office built up a stake of more than 10 per cent after the Government's disastrous sale of its remaining stake in BP.

BP remains anxious about the Kuwaiti stake and was not pleased by the Government's handling of its £7.25bn share issue, which put the company in a vulnerable position after the collapse of world stock prices.

The company may well feel the Government owes it some reparation – by way, for instance, of assent to a full bid for Britoil.

BP will no doubt be hoping for a fairly rapid decision on the matter, since the timing of yesterday's offer indicates BP's view that oil shares are likely to rise rather than fall.

In marked contrast to its fellow oil independents, Britoil had not until yesterday been regarded as a likely takeover candidate. This is because the Government holds a golden share, which protects the company from predators.

Although this share does not have an expiry date, the market had assumed that the Government would not relinquish it for at least two years.

Analysts said yesterday, however, that the BP investment would press the Government to clarify its position. They assumed that once its golden share was removed, BP would want to make a full bid for the company.

The two companies combined would become by far the largest single player in the North Sea. Britoil, which was formed out of the old British National Oil Com-

Continued on Page 26

CONTENTS

Europe	2
Companies	28
America	4
Companies	27
Overseas	3
Companies	29
World Trade	5
Britain	9-14
Companies	32-36
Agriculture	38
Arts - Reviews	23
World Guide	23
Commercial Law	18
Commodities	38
Crossword	40
Currencies	39
Editorial comment	24
Eurobonds	30
Euro-options	40
Financial Futures	39
Gold	38
Intl. Capital Markets	30
Letters	25
Lex	26
Management	8
Market Monitors	47
Men and Matters	24
Money Markets	39
Raw Materials	38
Stock markets - Bourses	47,50
- Wall Street	47-50
- London	43-47
Technology	8
Unit Trusts	40-43
Weather	26
World Index	40

EGYPTIAN PROMISE CALMS KUWAITI JITTERS

President Hosni Mubarak is under no illusion about possible threat posed by Iran's revolution, Page 3

Denmark: The politics of economic compromise 2
Trade: Emirates exporters turn their eyes away from Iran 5
'The Aussie Alternative': Establishing a legal precedent 6
Computers: Britain's navy gets its system fighting fit 8
Technology: With a little kelp from our friends 8
Editorial comment: Britain's health care dilemmas; The legacy of Africa's past 24
US interest rates: Conflicting views of the dollar's decline 25
Lex: Abaco; Britoil; Dee Corp 26

Communists set for showdown in Renault debate

BY PAUL BETTS IN PARIS

THE FRENCH Communist party is planning to turn the parliamentary debate on the future status of Renault, the French state-owned car group, into a political showdown with the conservative government.

In an effort to disrupt the debate the Communists have decided to table more than 3,000 amendments to the government's bill to change Renault's status as a privileged state group, or *regie*, into an ordinary state-controlled company.

The Communists and the pro-Communist CGT union, which have regarded Renault as one of their traditional labour bastions, have fiercely opposed the Government's plans to turn the state car group into an ordinary company by ending its privileged status which has virtually given it a blank cheque and protected it from the bankruptcy courts.

But the government could decide to turn the Renault vote into a confidence motion to speed up approval of the special legislation and frustrate the Communist attempt to disrupt and prolong the debate. The Chirac administration has already resorted to this formula on several occassions since it took office in March 1986 to speed legislation through parliament.

The recovery of Renault, which is now expected to report profits of more than FFr3bn(£295m) this year after amassing losses of FFr27bn in the last three years, prompted the Government to change the group's special status. However, the Government will also write off FFr12bn worth of Renault debts to restructure the group's balance sheet before its status is changed.

The Communists, who want Renault to remain firmly under state ownership, are worried that the change in status will be the

George Marchais - ready for battle

first step in a gradual process of partial privatisation of the state car group.

But despite its traditional weight in the car company, the pro-Communist CGT union has seen its influence decline dramatically at Renault which has gone ahead with widespread labour cuts during the last three years as part of its successful restructuring.

The Communists and the CGT have thus decided to make a last stand against the latest government plans to turn Renault into an ordinary enterprise.

The union and the Communist party are also campaigning to try to force Renault to re-employ nine workers, including eight CGT members, dismissed by the company after they were involved in the sacking of some of the group's offices in a protest last year. The nine workers, including the son-in-law of Mr Georges Marchais, the French Communist party secretary general, were fined this week by a Paris court for damaging the Renault officies.

Turkey comes under fire over human rights

BY DAVID BARCHARD IN ANKARA

TURKEY'S human rights record, a major liability in the country's drive for early European Community membership, is once more under fire after suggestions that two Communist leaders who voluntarily returned to the country on November 16 may have been tortured.

Two lawyers representing the men have also been arrested and 37 alleged Communists in various parts of the country have been detained after being named by the returnees.

The two men, Mr Haydar Kutlu and Mr Nihat Sargin, flew to Turkey from Brussels two weeks before the country's general elections, accompanied by a delegation of Communist and green Euro MPs. They said they were returning to the country to set up a legal-non violent communist party. Communism has been outlawed in Turkey since 1926 and since 1980 large numbers of Turks have been given jail sentences of between five and 15 years for membership of the communist party.

The Government is committed to eventually lifting anti-Communist legislation so that Turkey can sign the Treaty of Rome. However the Turkish military is fiercely opposed to early legalisation of the party.

Mr Kutlu and Mr Sargin were detained as soon as they arrived and held incommunicado for 18 days. It is now understood that they will go on trial in a state security court soon.

Lawyers representing the two men subsequently claimed that their clients had been "exposed to every kind of torture" while under interrogation.

Collective farm is top Czechoslovak PC maker

BY LESLIE COLITT IN BERLIN

A CZECHOSLOVAK collective farm has become the nation's leading manufacturer of personal computers (PCs) to the acute embarrassment of Czechoslovakia's largest electronics company.

The Slusovice co-operative farm in Southern Moravia, which produced nearly 5,000 personal computers this year, is to become the centre of a production association aimed at speeding up output of small computers. It is being organised by the Ministries of Agriculture and Electrical Engineering after the Tesla company, Czechoslovakia's plodding electronics group, was unable to produce more than a few thousand

Mr Zdenek Smely, first deputy chairman of the Commission for Scientific-Technical Development, said there were only 60,000 PCs in Czechoslovakia while up to 2m were needed. Many were imported from the West.

Mr Smely said there were 60 small producers of personal computers in Czechoslovakia. Most, like Slusovice, produced them as profitable sidelines but no co-ordination existed between them. Next year, however, "several tens of thousands" of PCs are to be manufactured and within 18 months annual capacity is set to rise to about 150,000 units.

The decision to base future output of urgently needed personal computers on collective farms was the result of Tesla's inability to mass produce a Czechoslovak-developed PC.

La Scala gets its act together

By David Lane in Milan

LA SCALA'S opening on Monday night lived up to expectations. The glittering show of international celebrities in the audience was matched on stage by a brilliant and critically acclaimed Don Giovanni.

The build-up to the traditional Saint Ambrose day event was heightened by the obsessive secrecy of Mr Giorgio Strehler, the director.

Spectators were forbidden at the dress rehearsal and costumes were kept hidden until the curtain rose on the opening night. Breaking with tradition, television cameras were even banned from the first performance.

On the night Mr Riccardo Muti, the conductor, fulfilled his promise of producing a great interpretation of Mozart's masterpiece.

The enthusiasm for the production has been such that tickets for La Scala's 11 performances were sold out from the moment the box office opened. Stalls seats for the first night cost L880,000,(£398) but Mr Francesco Caggiani, the theatre's finance manager believes there would have been no problem in ensuring a full house at L2m.

Mr Sergio Escobar, assistant to *sovrintendente* Carlo Maria Badini, says the theatre's small size (just over 2000 seats) is an obstacle.

"We have the human capacity for more performances and no difficulty in financing a higher level of activity", he said. One week allows only 4 performances. The other days are needed for rehearsal.

However in two years' time space limitations should be eased considerably with the opening of a second theatre. La Scala expects to take over the Puccini theatre in Milan's Corso Buenos Aires. If all goes to plan, this will be ready in 1990 for rehearsals and ballet productions.

Finance for the Puccini, saving it from the threat of conversion into a hamburger bar, will come from a Turin insurance company. ENI, the state hydrocarbons corporation will be the theatre's main sponsor until 1990.

Mr Badini's enlistment of business to keep the finances of Italy's operatic flagship watertight was not unopposed, but the battle has been won and now there is a long list of corporations wanting to put their names alongside La Scala's.

This strategy, together with recording and television rights, will earn La Scala about L7.7bn this year, nearly 10 per cent of total revenues. Overall box office takings will be L14.0bn, about 18 per cent of total revenues, with more than half coming from season ticket sales.

However, most of La Scala's income comes from the state. Grants for 1987, L57.6bn, cover about 72 per cent of total current and capital spending. As well as being generous the state now pays punctually, thus removing cashflow problems.

Most of the expenditure - L50.1bn in 1987 and L52.6bn budgeted for next year - pays monthly salaries of a 900-strong payroll. But substantial outgoings are also incurred in paying visiting artists - L14.5bn this year.

A large sum was spent in bringing Don Giovanni to Milan. Soloists' fees for this year's 10 performances total L684m. Director's and designers' fees together amount to L98m while conductor's fees add a further L272m. La Scala's budgeted variable costs for Don Giovanni are L1176m, in addition to which there are L550m of staging costs.

Rising costs however are not the reason for the growing interest which La Scala is showing in joint productions. These are a way of bringing more top international performers and high standard productions to one of the world's great opera houses.

Michael Donne reports on the provisions of the European air fares liberalisation

Airline passengers fly into a liberal era

CHEAPER air fares should begin to filter through to passengers on European scheduled air services from January 1 as the result of the EC air transport liberalisation agreement signed in Brussels on Monday.

Although not as far-reaching as Britain and the Netherlands had hoped, the new pact at least provides a foundation on which to build over the next three years.

Before the agreement expires, it is hoped that the airlines and their governments will be ready to move forward into an even more liberal regime.

The first move will be made by British Airways, which will make small cuts averaging 4 per cent in air fares on Scandinavian routes, on which BA claims the Scandinavian airline SAS has been reluctant to accept discounted rates.

The EC agreement covers three broad areas – freedom to offer cheap promotional fares and new types of cheap fares with fewer restrictions; revised arrangements for sharing the seating capacity offered on the routes between any two countries; and much greater freedom for airlines to introduce new services.

The pact does not eliminate the need for bilateral air agreements between any two countries. As yet there is no surrender by EC governments of air transport sovereignty under the Treaty of Rome, but rather a continued determination to retain some measure of control over civil aviation.

Governments and airlines will

The impact on fares may be less far-reaching than many had expected.

continue to move cautiously into the more liberal era. But all future bilateral agreements between EC countries (and probably also between those countries and other non-EC countries) will now be conducted within the new EC framework.

It will also be possible for countries to seek revisions of their existing bilateral pacts to take account of the new rules, which will appeal to the UK and the Netherlands.

The impact on fares may be less far-reaching than many had expected, largely because throughout much of Europe there is already a wide range of discount fares available, some of which go well beyond the provisions of the new agreement.

But there will be some benefits, in particular the abolition of restrictive clauses on cheap fares, for example the invidious "Saturday night stay". Airlines will be free to offer cheap off-peak fares on any day of the week and for any period of stay.

Also included is a new international procedure for arbitration on fares, which will make it easier for airlines to introduce variations in fares against the wishes of other airlines on a given route.

On capacity sharing, the broad 50-50 rule for dividing the seating capacity offered by the airlines of any two countries that has prevailed widely throughout Europe for so long will become more flexible.

It seems likely that the maximum number of seats to be offered on the routes between any two countries in any year will continue to be determined by governments, based upon assessments of economic trends in each country and the desires of individual airlines to expand their air transport activities.

To that extent, governments will still be able to influence civil aviation significantly.

But once that is agreed, governments will only be able to intervene if their airlines' share of the annual capacity on any route falls below 45 per cent in the first two years and below 40 per cent in the third year of the EC pact.

Theoretically, this is intended

Airlines will be free to offer cheap off-peak fares on any day of the week

to encourage the airlines of each country to compete more vigorously to raise their shares of the traffic on any given route to the permitted maximum of 55 per cent in the first two years and 60 per cent in the third yeart.

If, by such competition, it becomes apparent that the governments have initially set the overall annual seat capacity levels on any route too low, they can swiftly adjust them upwards. But they will need to ensure that no route is swamped with seats to the point where many seats are flying empty and the airlines are losing money.

This will also affect the new rules on market access or "multiple designation" – the rights for a country to allow as many airlines as it wishes to serve any route, provided that the route carries more than 250,000 passengers a year in the first year of the EC agreement, 200,000 passengers in year two and 180,000 in year three.

This is expected to cover most of the major capital cities and many others throughout Europe, and open up new markets for airlines which hitherto have been prevented from flying on major trunk routes.

Also included in the new package is the automatic availability of traffic rights for airlines between big national (hub) and smaller regional airports throughout the community, which is likely to lead to big increases in regional air transport operations.

There are some exemptions from this, designed to help some member countries in their move into a more competitive air transport environment.

The exemptions are for airports in Denmark, Greece, Spain and Italy. But this provision will still liberalise traffic rights on over 60 routes out of the UK.

Key test for road haulage liberalisation

BY TIM DICKSON IN BRUSSELS

A KEY test of the European Community's will to liberalise the road haulage sector is set for next Wednesday following this week's decision by West Germany to block a proposal aimed at ending the long-established system of lorry quotas.

EC Transport Ministers suspended their meeting late on Monday night after vigorous protests from Mr Jurgen Warnke, Bonn's Transport Minister, who reserved his position on the compromise plan to increase quotas by 40 per cent a year to 1992 and thereafter scrap them.

Removing quotas, which cover about half the European road transport sector, is seen by the European Commission in Brussels as a key aspect of deregulating the industry. Member states agreed to the idea in principle in 1986 but West Germany, whose isolation has only become clear in the last few days, has raised strong objections now that the detailed package is on the table.

Bonn's concern rests largely on the fact that there is no harmonisation of road taxes in Europe and that its own high rates of road tax will put the domestic road haulage industry at a disadvantage once the market is freed. "No liberalisation without harmonisation" is Mr Warnke's simple refrain.

The European Commission said yesterday it would be coming forward with detailed proposals for fiscal harmonisation in this area early in the New Year. "The principles should be such as to ensure that the costs of infrastructure should, over all the territory of the Community, be effectively supported by those who really use it," said the Commission.

"There are many ways in which this can be achieved but it seems that general taxation should not be the main source," it added.

It is no secret that the political negotiations on quotas are also complicated by West Germany's powerful industry lobby, which is deeply worried about competition from the neighbouring and highly efficient Dutch rivals.

What happens next week may depend on Denmark which has indicated its willingness as chairman of the meeting to push ahead with the proposal using the qualified majority voting procedures of Article 75 of the Treaty of Rome. Mr Warnke is insisting that under a provision of the same article agreement should be unanimous because of the threat to living standards, employment and "the operation of transport facilities".

A West German spokesman hinted yesterday that if outvoted, the Bonn Government is likely to take the matter to the European Court of Justice.

Under the Community quota procedure, member states allocate licenses to transport operators to take loads to other member states. About one fifth of all the quotas give a right to travel freely in the EC, the rest are *negotiated between governments*. Community law, however, exempts from quotas some traffic such as transport in frontier regions, household removals and own account transport where a manufacturing company uses its own lorries.

Athens drops plans for oil group control

By Andriana Ierodiaconou in Athens

THE GREEK Government announced yesterday that it had given up plans for the compulsory purchase of 51 per cent of the shares of NAPC, the international consortium developing oil deposits in the Aegean, in exchange for the consortium's agreement to an effective Greek power of veto over drilling and exploration activities.

An agreement formalising the bargain, fruit of five months of negotiations, is expected to be signed.

Relations between the NAPC and the Greek state were plunged into a deep freeze last February following a bombshell announcement by the Energy Ministry that it would assume compulsory majority share control of the consortium. The Ministry said its intention was to prevent oil drilling in east Aegean waters. Greece and Turkey are involved in disputes over resource exploration rights in that area.

The consortium initially reacted by saying it would proceed with the drilling as planned. It backed down, however, when Turkey announced the dispatch of its own survey vessel into the area, in reaction to which Athens threatened to declare war.

According to the Greek Energy Ministry's presentation, the consent of the Public Petroleum Corporation will now be required for any drilling or exploration activity by the consortium.

EC to launch farm research

BY WILLIAM DAWKINS IN BRUSSELS

JOINT research into robot harvesting machines, more productive livestock and disease resistant plants are among the projects in an Ecu80m (£55.2m) research scheme due to be adopted by the European Commission today.

The five-year scheme, expected to be given the go-ahead at the Commission's weekly meeting, comes in the wake of recent plans by the US Department of Agriculture to spend $75m annually for the next 20 years on agro-industrial research. In line with the Brussels authorities' talent for memorable acronyms, the project is named Eclair (European Collaborative Linkage of Agriculture and Industry through Collaborative Research).

The USDA estimates its own project could create 750,000 jobs and increase farm income by $30bn annually. "These estimates seem ambitious, but the growing availability of land presents a similar opportunity in Europe, and there is also a need to explore new possibilities for the development and production of marketable products," says the Commission's draft proposal.

Eclair will need the support of a qualified majority of member states before it can go ahead. It could raise concerns that the project's emphasis on more efficient farming techniques will do little to help the EC's burgeoning farm surpluses, though the proposal emphasises that the cash will be concentrated more on improving the quality of crops, livestock and finding new ways of adding value to farm production.

The scheme will offer 50 per cent backing for cross-border projects involving industry, farmers and academic bodies. Its main headings are research into new organisms, better agricultural techniques - such as replacing chemical fertilisers with biological ones - and the application of other new technologies for farming.

Initial soundings have drawn 266 project proposals from industries across the EC, worth around Ecu326m, of which industry itself has indicated its readiness to co-finance a substantial proportion, said the Commission.

Share prices rally in Greece

BY ANDRIANA IERODIACONOU IN ATHENS

SHARE PRICES on the Athens stock exchange rallied yesterday following a public expression of confidence in the economy's prospects for 1988 by the Bank of Greece.

Prices had been on a downward spiral since the worldwide stockmarket crash and the effective reversal of the Greek Government's economic stabilisation policy at the end last month.

As recently as Monday the general share price index plunged by 15.03 per cent after continuing predictions of gloom for the economic outlook. The Greek press alleged that the Bank had despatched a confidential report to Dr Andreas Papandreou, the Prime Minister, forecasting a serious economic deterioration by the spring of 1988 and urging early general elections. Elections are not due until 1989.

The index recovered by 5.65 per cent yesterday, after a statement by Mr Dimitris Chalikias, the Bank of Greece governor, denying the existence of such a report and asserting that economic prospects for 1988 do not warrant anxiety, provided the public sector deficit is contained.

It was the Bank's first public comment on the economy following the overturning 12 days ago of the Government's restrained incomes policy for next year - the central element of stabilisation efforts. According to the Bank, the incomes policy shift will be compensated for by a tight monetary policy.

Economists are not optimistic that this will be possible. In 1987 with stabilisation in full swing, the net PSBR reached an estimated 13 per cent of GDP, only slightly lower than in 1986 and considerably short of the target of 10 per cent of GDP.

The Government has said it will not try to reduce the PSBR for 1988 but contain it at 1987 levels, a policy which many regard as a recipe for a PSBR increase.

Italy-Argentina special link to be renewed

By John Wyles in Rome

A NEW "special relationship" between Italy and Argentina which is seen as a model for North-South relations is due to be forged during a three-day state visit by President Raul Alfonsin of Argentina which opens here today.

While the two countries will complete 11 technical agreements of the kind frequently associated with such visits, the highlight is a treaty of "special association" which the President will sign tomorrow with Mr Giovanni Goria, the Italian Prime Minister.

This is meant to provide the framework for developing a relationship which has always been coloured by the high proportion – close to 40 per cent – of the Argentine population which is of Italian extraction.

In an interview published by the La Repubblica newspaper yesterday, President Alfonsin said he regarded the treaty as something new in the world. "For the first time we have managed to put into concrete terms something which until now has been pure rhetoric, by which I mean the North-South dialogue."

He said the treaty promised an association between the two countries which went far beyond trade into technological co-operation. With the petrochemical and other projects which were envisaged, the treaty amounted to "the most significant response that Argentina has had from the developed world," claimed the President.

Elsewhere, Mr Alfonsin gave assurances that democracy in Argentina was "solid", that the military was "absolutely subordinate" to the civil power and that he was personally supported by around 60 per cent of the electorate.

His visit will include the usual round of talks with ministers and also Mr Francesco Cossiga, the Italian President. These will be predictably cordial since the bilateral relationship has been free of any serious problems since Italy temporarily supported sanctions against Argentina for a short period at the beginning of the Falklands war.

Trade between the two countries has deteriorated as Argentina's debt problems have worsened. The total value fell by around 30 per cent in 1986 after reaching $1bn in 1985 with Argentina enjoying a comfortable surplus.

Hilary Barnes looks at Copenhagen's chances of reducing its foreign debt burden after a new tax and benefits package

Danish economic policy in hock to political compromise

A COMPROMISE agreement on the 1988 Finance bill and government proposals to reduce wage-tax costs on export industries was reached yesterday between the four-party non-socialist coalition and the opposition Social Democratic Party.

The agreement scotched rumours that Denmark was in for a new election in January, only four months after the last one held in September.

The Government was forced to concede some of the opposition's demands, including an increase from next July in the old age pension of about Dkr200 (£17.20) a month and a 10 per cent increase in unemployment benefits.

But the Social Democrats promised to support Government measures to improve exporters' competitiveness by switching the social security taxes on employers from the wage total to value added, which means that exporters will not pay.

Together with other measures, the Government says that its proposals will improve export competitiveness by 8 to 10 per cent and create up to 50,000 jobs over the next two years.

"This is much more than just a bagatelle. Eight or 10 per cent is really something," Mr Poul Schlueter, the Prime Minister said.

Meanwhile, the politicians have had warnings enough about the dire consequences of failing to establish a coherent economic policy. One after another a crop of pre-Christmas reports have outlined the problems and suggested ways to tackle them – only to conclude that their prescriptions do not have a realistic chance of being implemented.

"If the foreign debt continues to climb, the burden of interest will become so great that Danish society with its present structure will be unable to manage (to pay) it," an export policy report from the Ministry of Foreign Affairs said last week.

Over the 15 years from 1972 to 1986 the foreign debt rose from Dkr17bn (£1.47bn) to Dkr262bn - about Dkr60,000 per capita – and interest from 2.8 to 16.2 per cent of merchandise export revenue.

If policy is not changed, the current balance of payments deficit will increase to Dkr30bn to Dkr40bn a year by the end of the decade (from Dkr34bn in 1986 and an expected Dkr18 to Dkr20bn this year). The net debt will reach Dkr380bn and interest payments will rise from a Dkr28bn to more than Dkr30bn.

To eliminate the current account deficit by increasing exports alone would require a 35 per cent increase, or a volume increase in industrial exports of 5 to 6 per cent a year over a period of six to seven years. This in turn would require an increase in the number of jobs in manufacturing from about 400,000 at present to about 550,000, an increase of almost 40 per cent.

"A 5 per cent annual volume increase in exports has rarely occurred in Denmark's case," said the report and added: "With the present structure of production in the Danish economy such an increase will be difficult to obtain."

A sharp increase in relative costs is the most pressing immediate problem.

As a result of rising wages, fully-compensated reductions in the working week (being cut from 40

Poul Schlueter: deal 'more than just a bagatelle'

to 37 hours between 1986 and 1990) and the appreciation of the krone, which participates in the European Monetary System, the relative costs of Danish industry will increase by 16 to 17 per cent between 1985 and 1988 (13 to 14 per cent of it taking place in 1986-87), according to the December report by the three chairmen ("three wise men") of the semi-official Economic Advisory Council.

Unless relative costs are restored, unemployment will rise from a "normal" 200,000, about 8 per cent, in the 1980s to a "normal" 300,000, or 10 to 11 per cent, in 1990s, they say.

Despite two years, in 1987 and 1988, when real gross domestic product will shrink by about 1.2 per cent a year (one bank actually expects 1988 GDP to fall by 3 per cent), they expect the current account to remain in deficit by about Dkr18bn this year, falling to Dkr13bn in 1988 and rising again to Dkr17bn to Dkr18bn in 1989.

But having stressed the need for a "zero" wage settlement in the 1989 collective bargaining round and taken into account Government proposals to reduce the burden of employer social security taxes on export industries, they conclude that by 1990 only half the gains in relative costs since 1986 will have been restored. And a "zero" wage settlement is probably unrealistic anyway, they say.

A report from the independent Future Research Institute is no more encouraging. It describes a possible "consolidation," with the current account turning to surplus in the mid-1990s, but declares that it does not believe this to be realistic. Its "crisis" version, with the foreign debt reaching more than 50 per cent of GDP in the mid-1990s, is more likely, it says.

By then, Denmark will have been forced to adopt an IMF-imposed adjustment policy, including a large (15 per cent) devaluation, it suggests.

Radical measures are needed, Mr Kjell Andersen, a senior economist at the OECD, told the Danes on December 3. He called for a long period with no wage increases or, even better, a 10 per cent wage cut and a two-hour increase in the working week to cut real wage costs.

The audience of leading economists, labour market leaders and senior officials to which he was speaking greeted the proposal with a barely suppressed gasp of disbelief. "I suppose it's highly unrealistic," Mr Andersen said.

The importance of yesterday's compromise is that it demonstrates that the Folketing returned in September is not as impotent as mnany had feared. But it does not prescribe anything like the radical medicine which Mr Andersen and other economists regard as necessary.

A veteran Danish politician once said that the Danes will only see the writing on the wall when they have their backs against it. There is something to suggest that they have, that it is, and that they cannot read it.

Swiss inflation up

SWISS consumer prices rose by 0.4 per cent in November, making year-on-year inflation 2.1 per cent against a 2.0 per cent rise in the year to October and a 0.1 per cent fall in the year to November 1986, Reuter reports from Zurich.

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Two Kims under pressure for one to drop out

BY MAGGIE FORD IN SEOUL

RELIGIOUS, student and dissident groups in South Korea yesterday redoubled efforts to persuade the two main opposition candidates in next week's presidential election to decide on a single runner so that a majority against the ruling party could be guaranteed.

Support for the two, Mr Kim Dae Jung and Mr Kim Young Sam, appears to be growing, but in the absence of reliable opinion polls the result remains uncertain. Signs of concern on the government side that its candidate, Mr Roh Tae Woo, could lose are becoming more obvious, however.

An upsurge of violence at recent political rallies, possibly caused by agents provocateurs, has been accompanied by hints from some Western diplomats that elements in South Korea's military are becoming restive at the thought of an opposition victory.

Overwhelming media coverage of the mysterious incident involving the disappearance of a Korean Air Lines aircraft 10 days ago and the suicide of a passenger at Bahrain airport has not apparently boosted Mr Roh's support. The coverage has concentrated on the possibility of terrorism by North Korean spies threatening the South's security.

The swing towards the opposition appears to be partially caused by revelations of Mr Roh's involvement in the 1979 military coup which brought the present Government to power. Mr Roh has announced that he plans to hold a big rally in Seoul on the anniversary of the coup next Saturday.

Both Kims have hinted recently that if they won the election, they would appoint a broad-based government involving all democratic forces in the country. Mr Kim Dae Jung said yesterday that he would appoint a Prime Minister from outside his own party. The hints could suggest that a government including both Kims would be possible.

Mr Kim Jong Pil, a fourth candidate who is trailing the field but still likely to secure around 10 per cent of the vote, may throw his support behind Mr Kim Young Sam later in the week, some analysts believe.

Ershad offers to end emergency, free rivals

PRESIDENT Hossein Mohammad Ershad of Bangladesh said he would end a state of emergency and free his detained rivals soon, in a gesture of reconciliation towards opponents trying to topple him, **Reuter reports from Dhaka.**

He made the pledge on Monday, a day after he had dissolved parliament to pave the way for fresh elections. Mr Ershad had declared a state of emergency November 27 to thwart a month-long opposition campaign aimed at forcing his resignation.

"The emergency will not stay a minute longer than necessary," the President told a meeting of Bangladesh's newspaper editors on Monday night. He said he would soon release the main opposition leaders, Sheikh Hasina of the Awami League and Mrs Khaleda Zia of the Bangladesh Nationalist Party, from house arrest.

"I hope the steps I have taken will create an atmosphere where we all can bury our acrimonies and work towards establishing democracy," he said.

Mr Ershad has already freed 13 detained politicians to create conditions for talks with the opposition, Mr Abdul Matin, the Home Minister, said.

On Monday, the Government released Mr Ataus Samad, a Bangladeshi journalist working for the BBC who was arrested on November 23.

Opposition sources told journalists yesterday they would not accept Mr Ershad's offer to hold peace talks. "We are asking the President to resign," Mr K.M. Obaidur Rahman, secretary-general of the Bangladesh Nationalist Party, said. "Once he is out, everything will come in perfect line, including a fresh election," Mr Rahman said.

Bomb explodes at Manila airport

A BOMB exploded at Manila International Airport yesterday, injuring four people, less than a week before leaders from Japan and the six countries of the Association of South East Asian Nations are due in the Philippine capital for a summit meeting, **Richard Gourlay reports from Manila.**

The bomb had been placed in a parked car near the airport departure area, police said. The explosion broke windows in the terminal building. Meanwhile a second small bomb was placed in a shopping arcade in downtown Manila but there were no injuries, they said.

Strict security measures have been imposed for the summit to be held next Monday and Tuesday. There are fears that opponents of President Corazon Aquino will try to disrupt the summit to embarrass her.

Kabul violence death toll estimated at 34

BY MOHAMMAD AFTAB IN ISLAMABAD

AT LEAST 34 persons were killed in the Afghan capital of Kabul at the time of the Grand National Council, Western diplomats said here yesterday.

The violence took place on November 29 and 30 – the two days when more than 1,500 Communist supporters and pro-government elements rubber-stamped a constitution for the country and formally named Mr Najibullah, as the nation's president. He was already Secretary General of the Communist Party.

Five people were killed when anti-communist guerrillas fired four rockets which impacted close to the Polytechnic Institute, the venue of the Grand National Council on November 29, the diplomats said.

At least 29 were killed on November 30 when Mr Ismatullah Moslem, a turn-coat guerrilla leader, now holding the rank of general in the Afghan Border Militia, and his men fought with the government security forces. He had been upset by being denied entry to the Grand National Council.

In a first clash on November 30 outside the Polytechnic Institute and close to Kabul Intercontinental Hotel, 29 people died, Western diplomats said. They included six bodyguards of Mr Moslem, eight security troops, and 15 civilians, including three schoolboys caught in the crossfire.

Mr Moslem is an arch-enemy of Mr Sayyed Mohammad Gulabzoi, the Interior Minister, and supporters of the two have fought before. The security forces later that day surrounded Mr Moslem's residence which covers several houses, inhabited by his bodyguards and armed supporters.

The number of casualties in that clash is still not known, as the area has been made off limits. No diplomats are allowed into the area. Mr Moslem himself suffered head injuries, and was taken to hospiytal, according to a statement by Mr Najibullah.

Tony Walker and Andrew Gowers report on the chances of Cairo taking up arms in the Iran–Iraq war

Promise of Egyptian support calms Kuwaiti jitters

"WE are fully confident that if we are exposed to any aggression, Egypt will be on our side," said Sheikh Sabah al-Ahmad al-Sabah, Kuwait's Foreign Minister, last week.

His remarks to visiting British journalists illustrate the emergence of what the most vulnerable of the conservative Arab Gulf states has been presenting as a new factor in the Iran-Iraq war since last month's Arab summit in the Jordanian capital, Amman, opened the way for restoration of diplomatic ties with Cairo. In the event of an attack on Kuwait, say government ministers, other Arab states such as Egypt and even Syria would be certain to rally round to help defend it.

The belief that support is potentially on hand from the Arab world's strongest military power has provided an important psychological boost for the jittery Kuwaitis in the face of persistent Iranian threats. Although the Government insists that no contingency plans have yet been discussed, ministers talk blithely of other Arab leaders "picking up the phone" and volunteering to send ground forces if and when needed. There is, in addition, a precedent: in 1961, Egypt, Jordan, Saudi Arabia and Sudan sent troops to Kuwait to fend off an Iraqi sovereignty claim.

Yet in Egypt today, the prospect of embroilment in a foreign conflict hundreds of miles from home is scarcely greeted with great enthusiasm. Indeed, the subject has been the focus of intense debate in the last few weeks within Cairo's ruling elite, which has not traditionally regarded the Gulf region as part of its sphere of influence.

A Singapore-registered tanker, the 85,129-tonne Norman Atlantic, yesterday looked like becoming the first vessel to be destroyed by Iran in the Gulf since the so-called "tanker war" began in 1984, Our Foreign Staff reports.

Shipping agents in the region said the ship, which was attacked with rocket-propelled grenades by an Iranian gunboat in the Strait of Hormuz on Sunday, was starting to break up yesterday under the influence of heat from its burning cargo of volatile Kuwaiti naphtha.

They said it was bending badly and would probably start cracking soon in temperatures of between 2,000 and 3,000 degrees Celsius.

Lloyd's Shipping Intelligence said it would probably be a total loss. The 15-year-old vessel has a hull insurance value of $7.5m, and its cargo is estimated to be worth $13.8m.

Meanwhile, Iran claimed yesterday that its Revolutionary Guards had shot down an Iraqi Mig-21 fighter with a US-made Stinger missile near the occupied Fao peninsula in southern Iraq.

The Iranian News Agency reported that the pilot was seen bailing out after his aircraft was attacked on Monday.

It also reported that Iranian anti-aircraft fire brought down an Iraqi Sukhoi-22 bomber east of the Iraqi port of Umm Qasr.

An Iraqi military spokesman in Baghdad later denied that Iraq had lost either warplane.

At the outset, President Hosni Mubarak raised the possibility of Egypt coming to the assistance of Gulf states under an Arab mutual defence pact signed in 1950. But initial euphoria in the leadership at Egypt's re-admission to the Arab world's diplomatic mainstream has now given way to more sober reflection about the responsibilities this might entail in an uncertain environment increasingly dominated by fears of a predatory Iran.

The Cairo Government is under no illusion about the threat posed by the possible export of Iran's revolution, not least because of the tide of fundamentalist religious feeling among its own population. Indeed, for some time it has been trying to bolster Iraq by supplying it with arms and expertise and has military advisers in several of the Gulf states. Field Marshal Abdel Halim Abu Ghazala, Egypt's powerful Defence Minister, likes to point to what he calls "the vital connection between Egypt's security and that of the Gulf". He told the official weekly magazine Al-Mussawar that Iran's strategy was aimed at "containing and weakening the Arab potential".

But since the emergency Amman summit, there has been a studied vagueness in Egyptian leaders' statements about direct military support for threatened Gulf countries.

Mr Mubarak, at a meeting in mid-November with Egyptian parliamentarians, asserted that Egypt was committed to standing by "her Arab sister countries and to put all its weight in the service of Arab causes". He called on Arab states to join forces against Iran.

In private, though, Egyptian leaders are more forthright. They say there is no intention of sending ground forces to the Gulf. Nor is there any plan to commit squadrons of combat aircraft. Egypt clearly does not wish to get involved in direct conflict with Iran and can be expected to redouble its efforts to bring about an end to Gulf hostilities in coming weeks. Cairo's quiet pressure on Israel to stop selling arms to Iran – a trade which the Iraqi Government believes is still continuing despite numerous Israeli assurances to the contrary – is consistent with this approach.

However, there is a recognition in ruling circles that circumstances may deteriorate to the point where Egypt might be obliged to do more. It is on this question that debate is continuing. The leadership recognises that a contingency plan is necessary, but as yet has not resolved to its satisfaction what circumstances might justify Egyptian intervention.

Looming large in the minds of the present generation of Egyptian leaders, many of whom have a military background, is the dreadful experience in North Yemen in the early 1960s. President Nasser's intervention in the civil war cost thousands of lives in what became Egypt's Vietnam. However, Cairo may come under a degree of pressure from Washington – which provides it with large amounts of economic and military aid – to help out.

It would be safe to assume that, deep down, the Kuwaitis are well aware of the constraints on Egypt, just as they do not have great confidence either in their own ability to defend themselves or in that of more powerful neighbours such as Saudi Arabia.

If the worst does come to pass, the Kuwaiti Government may find itself having to look further afield for significant assistance. This consideration may well underlie its recent decision to lend the US Navy a barge for use as a floating base in the northern Gulf. There have been reports in the American press, purportedly inspired by Kuwaiti officials, that the emirate is trying to use this sort of arrangement to draw Washington into a more formal commitment to its defence.

If that is true, both Kuwait, which hitherto has been extremely reluctant to be seen co-operating too closely with the Americans, and the US face some tough choices in the months ahead.

Israelis seize Palestinian power asset

By Andrew Whitley in Jerusalem

ISRAEL this week extended its formal writ in the Arab territories it has controlled since 1967, unilaterally taking over a large chunk of the supply network of the Palestinian-owned Jerusalem District Electric Company.

Armed with emergency powers inherited from the British, to permit the takeover to go ahead without any fuss, the Israeli Energy Ministry announced that it had summarily removed the JDEC's right to supply new Jewish districts in and around Jerusalem.

This represents about a third of the Palestinian company's customers. In terms of lost revenue the damage to the JDEC is considerably greater.

Not that the JDEC – the largest employer in the Israeli-occupied territories, and a hotbed of extremist Palestinian nationalism – had much choice. Inefficient, out-dated and grossly overmanned, the 60-year concession granted to the electric utility by the British is due to expire at the end of the year.

In return for major surgery, Mr Moshe Shahal, the Energy Minister, yesterday offered the enterprise a further 12 years of life, to the end of the century. Equally important, he indicated that provided it goes along with the Ministry's plans, Israel is prepared to write off the JDEC's accumulated debt of nearly $30m against the assets it hasconfiscated.

The vast bulk of the debt is owed to the state-owned Israel Electric Company, theutility now taking over the appropriated concession areas. Apart from providing the JDEC with 95 per cent of its electric power, in recent years the IEC has increasingly taken on the task of supplying major Arab urban centres in the West Bank.

The two-day switch-over may have gone better than expected. But the powerful Palestinian workers committee at the JDEC is certain to react strongly if attempts are made to push through the hundreds of dismissals expected to result from the reorganisation.

'Old adversaries' meet in the pursuit of peace

BY LIONEL BARBER IN WASHINGTON

THE 21-gun salute boomed out and clouds of smoke drifted across the packed White House lawn. The long, rolling chords of the Soviet national anthem followed, and suddenly the summit was here for real.

Mr Mikhail Gorbachev, the Soviet leader, accompanied by his wife Raisa, greeted President Reagan and the First Lady, Nancy Reagan. It was, as photographers like to say, the Decisive Moment, that snapshot in time when history is made: the leaders of the world's two superpowers shaking hands in pursuit of peace.

The two men have met before, once in Geneva and then in the frenetic nuclear arms bargaining session in Reykjavik last year. But yesterday both leaders seemed aware that their third encounter promised more.

President Reagan, standing tall in his dark overcoat and silk scarf, caught the mood and the nature of the superpower relationship in his opening words describing Mr Gorbachev's visit to Washington:

"It represents a coming together not of allies, but of adversaries," the 76-year-old President declared in sober tones. But he then observed in that familiar folksy manner, reminscent of his Mid-West roots: "I think you will find that the American people believe that a stranger is a friend they have yet to meet, and that there is still a well-spring of goodwill here."

On several occasions in his speech, Mr Reagan, waiting for the Soviet interpreter to translate his words, turned to Mr Gorbachev standing several feet away, and looked him in the eye. Mr Gorbachev, who had waved earlier to the Americans gathered outside the White House, stared back.

Mr Reagan summed up: "Like the peoples of your country, we believe our country should be strong, but we desire peace and no doubt about that. The longing for peace runs deep here, second only to the preservation of our liberty."

Here was an American leader on home ground, speaking home truths, and as he made way for the Soviet leader's address, he dabbed his nose and gave a long smile to Nancy, standing back in the crowd.

Mr Gorbachev spoke powerfully too, and his speech was largely devoid of the sterile sloganising of a Nikita Kruschev.

"History has charged the governments of our countries and the two of us, Mr President, with a solemn duty...to undo the logic of the arms race by working together in good faith."

He recalled that back in 1941 the US and the Soviet Union had fought together against Nazi Germany. The historic allusion was not lost on Mr Reagan; Mr Gorbachev's arrival on Monday afternoon, December 7, coincided with the anniversary of the Japanese surprise attack on Pearl Harbour which brought the Americans into the Second World War.

"We are prepared to go all the way," said Mr Gorbachev, who had earlier held out the familiar and seductive promise of a nuclear-free world. Mr Reagan nodded in approval, the band struck up again and, to the tune of The Grenadiers' march, the two leaders disappeared into the White House to try to match their solemn words with historic deeds.

Reagan and Gorbachev at their meeting yesterday: in search of historic deeds to match the solemn words

The following are edited extracts from speeches yesterday at the White House by Ronald Reagan and Mikhail Gorbachev

'We have made a choice'

HISTORY has charged the governments of our countries, and the two of us, Mr President, with the solemn duty of justifying the hopes of the American and Soviet peoples and of people the world over to undo the logic of the arms race by working together in good faith.

In the future development of the world much will depend upon the choice we make now, on what predominates - fears and prejudices inherited from the Cold War and which lead to confrontation - or common sense, which calls for action to ensure the survival of civilisation.

We in the Soviet Union have made our choice. We realise that we are separated not only by the ocean but also by profound historical, ideological, socio-economic and cultural differences. But the wisdom of politics today lies in not using those differences as a pretext for confrontation, enmity and an arms race.

We begin our visit 46 years on from the days when the United States entered the Second World War. And it was in those same days in 1941 that the destruction of Nazi forces began at the approaches to Moscow. That is symbolic. Those days marked the beginnings of our common road to victory over the forces of evil in a war which we fought as allies.

History thus reminds us of our opportunities and our responsibilities. Indeed, the very fact that we are about to sign a treaty eliminating Soviet and US intermediate and shorter-range missiles, which are now going to be scrapped, shows that at crucial moments in history our two nations are capable of shouldering their high responsibilities.

This will of course be the first step down the road leading to a nuclear-free world, the building of which you, Mr President, and I discussed at Reykjavik. Yet it is a great step into the future, a future to which our two peoples and the peoples of all countries aspire.

I have come to Washington with the intention of speeding up the achievement of the next and more significant goal, of reaching agreement to reduce by half strategic offensive arms in the context of a firm guarantee of strategic stability. We are also looking forward to a most serious and frank dialogue on other issues of Soviet-American relations.

Soviet foreign policy today is most intimately linked with "perestroika", the domestic restructuring of Soviet society. The Soviet people has boldly taken the path of radical reform and development in all spheres - economic, social, political and intellectual.

Democratisation and "glasnost" are the decisive prerequisites for the success of those reforms. They also provide the guarantee that we shall go a long way and that the aims we are pursuing are irreversible. Such is the will of our people.

Mikhail Gorbachev

'Giant step to historic treaty'

TODAY marks a visit that is perhaps more momentous than many which have preceded it because it represents a coming together not of allies but of adversaries.

And yet I think you will find during your stay that the American people believe that a stranger is a friend they have yet to meet and that there is still a wellspring of goodwill here.

Indeed I know that many of our citizens have written to you and Mrs Gorbachev and have even sent to you the keys to their homes. That honest gesture certainly reflects the feelings of many Americans toward you and Mrs Gorbachev and toward your people.

I have often felt that our people should have been better friends long ago.

But let us have the courage to recognise that there are weighty differences between our governments and systems, differences that will not go away by wishful thinking or expressions of goodwill, no matter how sincerely delivered.

This uncomfortable reality need not be reason for pessimism, however. It should provide us with a challenge, an opportunity to move from confrontation toward cooperation.

Today we will take a giant step in that direction by signing an historic treaty that will rid the world of an entire class of US and Soviet nuclear weapons.

Mr Gorbachev, "mir na nac smotrit" - the world is watching - and we've got something to show them, and over the next few days it is my hope that progress will be made toward achieving another agreement that will lead to the cutting in half of our strategic nuclear arsenals.

Our peoples for too long have been both the masters and the captives of the deadly arms race. This situation is not preordained and not part of some inevitable course of history.

We make history, changing its direction is within our power, however such change is not easy and can be accomplished only when leaders of both sides have no illusions, talk with candour and meet differences head on. Such, I hope, will be the spirit of our upcoming meetings.

On the table will not only be arms reduction but also human rights issues about which the American people and their government are deeply committed. These are fundamental issues of political morality that touch on the most basic of human concerns.

I would hope we will also candidly discuss regional conflicts, the parties to these conflicts should negotiate solutions that restore the peace and advance the rights and freedom of the peoples involved. We cannot afford to view these as faraway brush fires. Even small flames risk larger conflagrations and undermine positive developments between our two countries.

Let us also consider ways to expand the contacts between our own citizens. The Soviet and American peoples can and should know more about each other. The barriers between them should be taken down, restrictions on travel and communication lifted, personal relations between our young people fostered. Let the disagreements between our governments not get in the way of friendships between our peoples.

Ronald Reagan

US conventional arms 'flaw'

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN WASHINGTON

THE US position on conventional arms cuts, for which Washington is seeking the backing of its Nato allies, has been strongly criticised in the margin of the Reagan-Gorbachev summit by Gen Nikolai Chervov, a senior Soviet military official.

The US proposal was seriously flawed because it did not include tactical aircraft or helicopter gunships, Gen Chervov said in a newspaper interview.

Washington wants the Warsaw Pact countries to reduce the number of their tanks and artillery to match the much lower Nato levels – a move which would represent a cut of as much as 50 per cent. However, the US is not seeking any limits on tactical aircraft, a field in which Nato is deemed to have a clear technological advantage over the Warsaw Pact.

Conventional troop cuts, which are due to be discussed in negotiations next year between Nato and the Warsaw Pact, under the overall umbrella of the Conference on Security and Co-Operation in Europe, have assumed particular importance now that all medium-range nuclear missiles are due to be eliminated from Europe. The problem is expected to be discussed by President Reagan and Mr Gorbachev in the context of their talks on arms control, though not in detail, since Nato and the Warsaw Pact still have to finalise their formal positions.

US officials claim that limits cannot be set on tactical aircraft because they are "dual capable" systems which can be used to carry nuclear as well as conventional weapons. Indeed, their nuclear role is likely to be enhanced, following the INF agreement.

The officials also disputed Gen Chervov's assertion that Nato had a "qualitative and quantitative" advantage in strike aircraft and helicopters. They said the two sides had about the same number of aircraft in this category, but that the Warsaw Pact had more bombers and interceptors, as well as armed helicopters.

Gen .Chervov said the two sides should first try to identify imbalances in their forces before trying to decide what should be traded off for what.

Dutch set to keep four types of nuclear weapon

BY LAURA RAUN IN AMSTERDAM

MR RUUD Lubbers, the Dutch Prime Minister, said yesterday that the Netherlands would keep all four types of its nuclear weapons now that medium-range nuclear missiles almost certainly would will not be deployed on Dutch soil.

Prominent members of the ruling Christian Democratic Party have been urging the centre-right government to drop two of the four nuclear tasks that form part of Nato's nuclear deterrents.

Together with opposition Socialists they argue that F-16 nuclear bombs and Orion aircraft-launched nuclear depth charges should be scrapped, even though no nuclear Cruise missiles are likely to be stationed in the Netherlands under the terms of the US-Soviet INF deal.

Two years ago the Lubbers administration declared it would drop the two Nato nuclear duties in exchange for taking the long-delayed Cruise missiles - a move clearly aimed at gaining Christian Democratic support.

Nothing was said about the nuclear tasks if missiles were not deployed.

The Netherlands also possesses nuclear artillery shells and the Lance rocket system.

Mr Lubbers told foreign correspondents yesterday, before appearing in Parliament, that Europe's battlefield nuclear weapons could not be reduced now that all medium and short-range nuclear missiles would disappear.

But he stopped well short of advocating early improvement of the tactical nuclear weapons as urged in some West German quarters.

"I do not see immediate modernisation, but we cannot wait forever," he warned.

Latin America 'should buy back debts'

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

LATIN American countries should use their foreign exchange reserves to buy back their debts on the secondary market, in which developing country loans are traded at discounts to face value, according to IBCA Banking Analysis, an influential UK-based analysis firm.

It makes no economic sense, IBCA argued, for countries such as Mexico and Venezuela which have built up foreign exchange reserves to service debt at face value while the market trades the debt at a discount. "It is clearly to their advantage to buy back any of their debt that is trading at a significant discount."

IBCA, in an annual report on banking profitability, welcomed this year's decisions by banks to increase provisions against Third World debt. But the benefits were not being passed on to borrowers, it said.

"If banks are now in a position where they are both prepared to lose money and strong enough to absorb those losses, then all concerned should be working hard to make sure the losses are sustained in such a way as to maximise the benefit to the debtors," the firm argued.

This, it said, should be done by use of the secondary market.

IBCA's arguments run counter to the common view among bankers that the market is too small and thin to be considered a representative indicator of loans' true value.

Bankers are anxious that general recognition of the secondary market would encourage accountants to value their entire Third World loan portfolios at the market price, thus forcing much larger losses than they have so far taken.

Gunman may have caused air crash

By Louise Kehoe in San Francisco

INVESTIGATORS of the California airline crash that killed all 43 people on board on Monday afternoon are focusing on reports that a former USAir employee who was fired by the airline last month smuggled a gun on board the Pacific Southwest Airlines jet with the intention of killing his former boss.

"At this point it does not appear that (the crash) was an accident," said Mr Richard Bretzing, a special agent of the Federal Bureau of Investigation in charge of the crash inquiries.

"It appears at this point - and has yet to be substantiated - that it was a criminal act on board that caused the craft to come down," he said.

The pilot of the PSA commuter flight bound from Los Angeles to San Francisco was heard by other pilots in the area to call for help and report gunfire and smoke in the cockpit of the British Aerospace 146 jet shortly before it crashed.

Mr James Sylla, the president of Chevron Oil, and three public relations executives of the company, were among those killed in the crash, Chevron officials confirmed yesterday.

The plane came down near San Luis Obispo, Central California, about half way between Los Angeles and San Francisco. There were no survivors.

Unconfirmed reports suggested that the former USAir employee used his airline badge to avoid security checks at Los Angeles International Airport and board the aircaraft.

He was apparently fired for alleged misappropriation of funds. The man is believed to have left a suicide note.

Top brass tries to keep in step with democracy

BY TIM COONE IN BUENOS AIRES

NEW MILITARY strategies were discussed last month by a gathering of more than 200 top military brass from 18 countries on the American continent (including the US), in the sleepy seaside resort of Mar del Plata in Argentina.

The occasion was the 17th Conference of American Armies, a two-yearly affair for coordinating military doctrine on the continent, with the aim of preventing communist and left-wing ideology from gaining an upper hand and shifting the regional balance of power.

The first conference took place in the Panama Canal Zone in 1960, a year after Fidel Castro's revolutionaries took power in Cuba and sent tremors through a poverty-wracked continent ripe for revolution.

The top priority of the early conferences was the "development of a doctrine which addressed communist aggression," to exchange military intelligence and improve training techniques "for the purpose of opposing subversive action and revolutionary warfare" according to an information paper produced by the US delegation.

Almost 30 years later, after scores of military coups, the widespread appearance of torture chambers and death squads and the equally widespread disappearance of tens of thousands of political prisoners, the "Doctrine of National Security" philosophy in South America is undergoing subtle changes to accomodate the fact that, apart from two of the countries represented in the conference (Paraguay and Chile), all now have elected governments.

Lt Col Bodedhorn, a US army officer working at the Pentagon explained; "Communist subversion continues to be a unifying theme, although we at least no longer see communists under every chair. But Latin America is exposed to Low Intensity Conflicts (guerilla wars) and for some governments right now, fighting such wars effectively is a real question of survival."

He said that under democratic governments, the older methods of dealing with the problem were no longer acceptable; given the limitations this placed on an army's freedom of action, new ideas had to be developed. "This conference tries to bring together the various experiences. We are all learning," he said.

The delicate interplay between military and civilian perceptions of the military's role in the newly-democratised Latin America is thus the fulcrum of the present debate. There was no better example of the problems this posed than in the organisation of the conference itself.

While the Argentine army hosts insisted on denying all access to the press, the Argentine ministry of defence did it's best to organise interviews with delegates; until the ministry spokesman was, himself, thrown out of the conference at one point by an army security officer. No civilian from the Argentine defence ministry attended the discussions, even as an observer.

Such an attitude did nothing to dispel the image of generals plotting behind closed doors, especially in a country where there are an estimated 30,000 "disappeared" dating from the last period of military rule.

The mother of one of those disappeared, Mrs Hebe Bonafini, led a protest march to the hotel where the generals were deliberating, under banners saying "prison for the murderers" and accompanied by other white-scarved, white-haired mothers, who had also lost their children at the hands of security forces.

"Every time they meet, they decide the destiny of Latin America for the next two years," she said. Mrs. Bonafini is leader of the "Madres del Plaza de Mayo" organisation which was the first to alert the world, in the late 'seventies, to the disappearances of political prisoners in Argentina.

President Raul Alfonsin, inaugurating the conference also adopted a critical tone, saying "fighting terrorism, requires the authority of democracy which legitimates the struggle and conditions its form."

He added that social problems must also be taken into consideration in drawing up strategies, such as the negative influence of the foreign debt and falling commodity prices; "up until now the developed countries have not shown a definitive will to reply to such fundamental claims." His speech was met with an awkward silence from the array of uniformed brainpower before him.

Sensitivities were further aroused when it transpired that one of the conference themes was the influence of liberation theology and Gramscian philosophy in subversive actions - in essence, the idea that Marxists might come to power through obtaining key posts within government structures, influencing educational and cultural curricula and, eventually, the political structure.

"Psyops" – psychological operations – were the suggested answer, to improve both propaganda work and what is seen as an inadequate response by governments and armies to the left's arguments.

It is a central argument among the militaristic right-wing in Argentina, that the Alfonsin government is infiltrated and controlled by Marxists; given past experiences, the fear is that some armies might still view centrist and left-wing thinkers, including those in government, as legitimate targets in a counter-insurgency campaign.

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Cathay in computer reservation initiative

By Michael Donne, Aerospace Correspondent

CATHAY Pacific Airlines, in conjunction with Singapore Airlines and Thai International, has set up a joint computer reservations system, called Abacus.

The group, which aims to be fully operational by the end of 1989, will link the three airlines' existing computer reservations, handling some 300 reservations a second, with a total of 10,000 computer terminals throughout the Far East and South-East Asia.

Other airlines in the region – the fastest growing air transport region in the world – are considering joining Abacus, and before the end of the year several are expected to announce such plans.

The establishment of Abacus follows the creation in Western Europe of two major computer reservations systems. One is the Amadeus consortium, comprising Air France, Air Inter, Finnair, Iberia of Spain, JAT of Yugoslavia, Lufthansa, Linjeflyg of Sweden and Scandinavian Airlines System.

The other is Galileo, comprising Aer Lingus, Alitalia of Italy, Austrian Airlines, British Airways, British Caledonian, KLM of Holland, Swissair, TAP of Portugal, and United Airlines of the US (through its Covia subsidiary which runs the Apollo computer reservations system).

The aim of all these systems is to enable the member-airlines to increase their shares of the growing world air travel market by making it easier for travel agents to arrange airline, hotel and car hire bookings for passengers.

Oslo tightens export curbs

THE Norwegian parliament has unanimously approved legislation tightening export controls on strategic goods, services and technology to East bloc countries, **AP reports from Oslo.**

The 157-seat Storting raised the maximum penalty for violating export regulations from six months' imprisonment to five years while the maximum penalty for inadvertent violations was set at two years in prison plus fines.

Oslo told the US it would initiate changes after a Norwegian and a Japanese company were found to have sold sophisticated milling machines to the Soviet navy.

Joan Wucher King reports on the problems facing manufacturers in the United Arab Emirates

Emirates exporters turn their eyes away from Iran

LIFE for manufacturers in the United Arab Emirates is not easy. The domestic market is small and locally–produced goods have to compete on quality, price and availability with imports over which there is no control.

Local manufacturers face an ever–changing market as the expatriate workforce – the majority of the population – alters in composition and each new wave of expatriates brings with them its own product preferences.

The UAE's export sector is becoming an increasingly attractive option for local manufacturers to develop. The country's exports have, however, traditionally reflected the health of the regional economy and showed a 12 per cent fall-off when the recession hit in 1985, the last period for which full figures are available. Export flows to Iran have suffered from the recent escalation of the Gulf war, and while this has hit traders in Dubai more strongly than in Abu Dhabi, the Emirates as a whole have suffered the effects.

It is unclear as yet whether this presages a larger shift in Iranian trade patterns with the *Gulf. Some of this decline, espe*cially in the re-export sector, may well reflect the Iranian Government's ambivalence about personal imports, allowances for which were cancelled in the spring and restored in the summer. Currency devaluation has also played a part and, as pressure on Iranian oil exports increases, the resultant decrease in Tehran's foreign exchange earnings will have further repercussions for non-oil UAE exports.

It is difficult to get exact figures on UAE trade with Iran, much of which moves unofficially. Dubai's re-export market, the best available indicator, showed a slight decline in 1986 before recovering sharply in the first half of 1987, but has since slowed. This dependence on trade with Iran for export earnings can only be reduced by developing markets outside the Gulf. India is an increasingly important trade partner for UAE and the two countries have recently concluded a joint venture Phosacid plant at Jebel Ali.

The free trade zone at Jebel Ali has seen a big increase in business which, in line with trends elsewhere in the Emirates, has *strong South Asian participation,* and 135 companies are now in the zone, representing investment of $1bn. Textile production for export has been rising sharply and since 1981 production has increased almost 200 per cent.

Some textile manufacturers in the zone see production there as a way of avoiding US quotas on textile imports from their home countries. But as a recent Emirates Industrial Bank report warns that, while there is no US textile quota for UAE manufactures (a UK quota exists for 10,057 sq metres), increasing levels of textile exports may cause *these to be imposed.*

> Export flows to Iran have suffered from the recent escalation of the Gulf war, and while this has hit traders in Dubai more strongly than in Abu Dhabi, the Emirates as a whole have suffered the effects.

As a bank designed to promote industrial development in the UAE, the Emirates Industrial Bank faces a complex task in identifying and supporting ventures able to thrive and compete in a difficult local market. The bank places much emphasis on research, marketing and packaging, which are seen as crucial for both local and export sales.

Emirates Industrial Bank's economic research section publishes a monthly journal on world and domestic markets for UAE goods. While the slender domestic economy has made the bank's invest*ment activities seem cautious,* the identification of areas of market expansion has produced good results for the 28 projects funded to date. In 1986 the Board approved eight industrial loans to a total of Dh28.65m (£4.4m), down 18 per cent on the previous year.

The bank takes a clear view of the UAE's economic limitations. Import restriction or protectionism is rejected on the grounds that local industry is unable to substitute imports in a cost-effective manner and will profit from the adaptation of imported technology to local conditions. High-tech imports are particularly welcomed. In the bank's view, protectionism is only justified for limited periods for nascent industries.

Bank economists point to the experience of other developing countries, where protectionist policies produced inefficient industries. Given the UAE's trading surplus and the size of Abu Dhabi's oil reserves, the country can perhaps afford to take a more relaxed attitude on the import question, at least in the short term.

Last year the UAE trade balance at Dh12.2m was 60 per cent *down on 1985, largely due to* declining oil revenues and higher imports, which rose by just over 4 per cent. The UK has about 13 per cent of this import market of $6810m. However, the pegging of the UAE dirham to the dollar will have a grave effect on the cost of imports from Japan and Europe in the wake of the dollar's recent drop, and may revive arguments for restructuring the dirham against a broader currency basket.

Despite the tension in the Gulf, perhaps because of it, the Government has sought to keep the economic atmosphere as open as possible, given the debt problems now being faced by local banks. The Gulf war has a low profile in the UAE, in contrast with Kuwait, where the atmosphere is certainly a lot less relaxed.

The improvement in the oil market is likely to keep the import sector buoyant, though the depreciation of dollar will inevitably be reflected in import patterns. One area of UAE trade which has not been developed, curiously, is within the Gulf Co-operation Council itself, which still accounts for only 4 per cent of overall trade flows within the region.

Weather network order for US group

By Terry Dodsworth

UNISYS, the US computer group, has won a contract worth up to $450m (£250m) for the supply of a nationwide radar-based weather detection and information network to the US National Oceanic and Atmospheric Administration.

The contract calls for the installation of up to 195 radar systems. Scheduled to be fully operational by 1995, the radar systems will provide coverage for the US, Hawaii, the Caribbean and various US military bases in Western Europe and the Pacific area.

Known as Next Generation Weather Radar, or Nexrad, the system will enhance the ability to detect severe weather. It is designed to increase the warning times for tornadoes, high winds, hail and flash floods.

In addition, it is planned to develop Nexrad for the Federal Aviation Administration to improve the detection of *low-level wind shear - the wind* effect which has been blamed for some recent air accidents.

The initial phase of the contract calls for Unisys to build and install 10 radar systems. Each includes a radar, a processing unit, and multiple display and communications equipment, as well as software, documentation and initial spare parts.

US in fresh bid to speed world farm trade reform

BY WILLIAM DULLFORCE IN GENEVA

THE US yesterday made a further effort to force the pace of negotiations on world agricultural reform in the current round of global trade talks. In addition, developing countries gave notice that they expect special treatment when changes to farm regimes are finally agreed.

At the last meeting this year of the group negotiating on agriculture in Gatt's Uruguay Round, Mr Daniel Amstutz, former Under-Secretary for Agriculture leading the US team, said the Reagan Administration expected a meaningful mid-term report on progress in the talks by the end of next year.

It was time, he suggested, for negotiators to decide on such details as the device to measure trade-distorting national farm supports.

Japan failed to table its expected proposal on farm trade. But Mr Yoshio Hatano, head of the delegation to Gatt, said Japan would submit a paper by the *year-end deadline to which the* major trading blocs have committed themselves.

Japanese trade negotiators are known to be facing difficulties in reconciling differing ministerial views and interests in Tokyo. Opening up the Japanese market to exports of farm produce is a key objective for the US and most of the 14 countries in the Cairns Group led by Australia.

With the tabling this week of a joint proposal by the four Nordic countries - Finland, Iceland, Norway and Sweden - all the principal farm traders, except for Japan, have staked out their starting positions in the negotiations.

Several Third World negotiators recalled that when launching the Uruguay Round, trade ministers had agreed that developing countries should receive "differential and more favourable" treatment.

Social programmes for maintaining employment and developing farming sectors in developing countries could not be treated in the same way as the farm support programmes of industrial countries, delegates argued.

Jeans maker in pact with Czechs

By Peter Montagnon, World Trade Editor

LICENSING Services International, a subsidiary of the UK Vivat Holdings concern which manufactures Lee Cooper jeans, has signed a new licensing agreement with Czechoslovakia under which local production will double to 2m garments a year.

The deal is believed to be the largest such agreement between the UK and Czechoslovakia and will involve the introduction of a range of garments including T-shirts, jackets and skirts, as well as jeans to the Czech market.

Licensing Services said yesterday it expected to receive £8m in royalty fees over nine years under the agreement. Odevne Zavody KPT Nalepka of Presov, the Czech licensee, will establish up to six production lines to handle the increased output.

Japan may cut large-car tax

BY IAN RODGER IN TOKYO

THE Japanese Government is considering reducing its hefty road taxes on large cars.

For years, the US and European governments have complained that Japan's road taxes on large cars (engines over 2 litres) are too high and are, in effect, a non-tariff barrier to imports of large cars.

The Japanese authorities have always maintained it would be difficult to reduce the tax - which is more than double the rate on smaller cars - because of the objections from local authorities. The tax is a major source of revenue for the country's prefectural governments.

The Ministry of International Trade and Industry announced this week, however, that it would put its considerable weight behind the push to have the tax reduced.

Miti said it was making the suggestion because of fears that the tax could be found to contravene the General Agreement on Tariffs and Trade.

But others point to the fact that the change of heart has come just as Japanese car manufacturers, which have long concentrated on making small cars, have been stepping up production and sales of large cars.

● Fujitsu of Japan plans to export its first large computer to Europe under its own name, **Reuter reports from Tokyo.**

It will ship a Facom M780 computer to Mapfre Mutualidad De Seguros, a major Spanish life insurer, through its wholly-owned subsidiary Fujitsu Espana SA in April. No price details were available.

The company has sold similar computers in Europe under an original equipment manufacture basis through Siemens.

Aircraft research group grows

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

TWO more European aerospace companies - Aeritalia of Italy and CASA of Spain - have joined the group exploring the possibility of developing a new international military transport aircraft for the next century.

The other companies involved are Lockheed of the US, British Aerospace, Aerospatiale of France and Messerschmitt-Bolkow-Blohm of West Germany.

Collectively, these companies have been studying the possibility of jointly designing and building a short to medium range freighter, initially for military use but with civil markets in mind, to replace the Lockheed four-engined turbo-propeller Hercules and the Franco-German twin-turbo-prop Transall transport.

The eventual market could run to many hundreds of aircraft, but while the studies have been under way for some years, so far, there is no indication as to when the consortium will produce a single design that can be submitted to governments for development approval.

Finland denies reports of oil for Israel

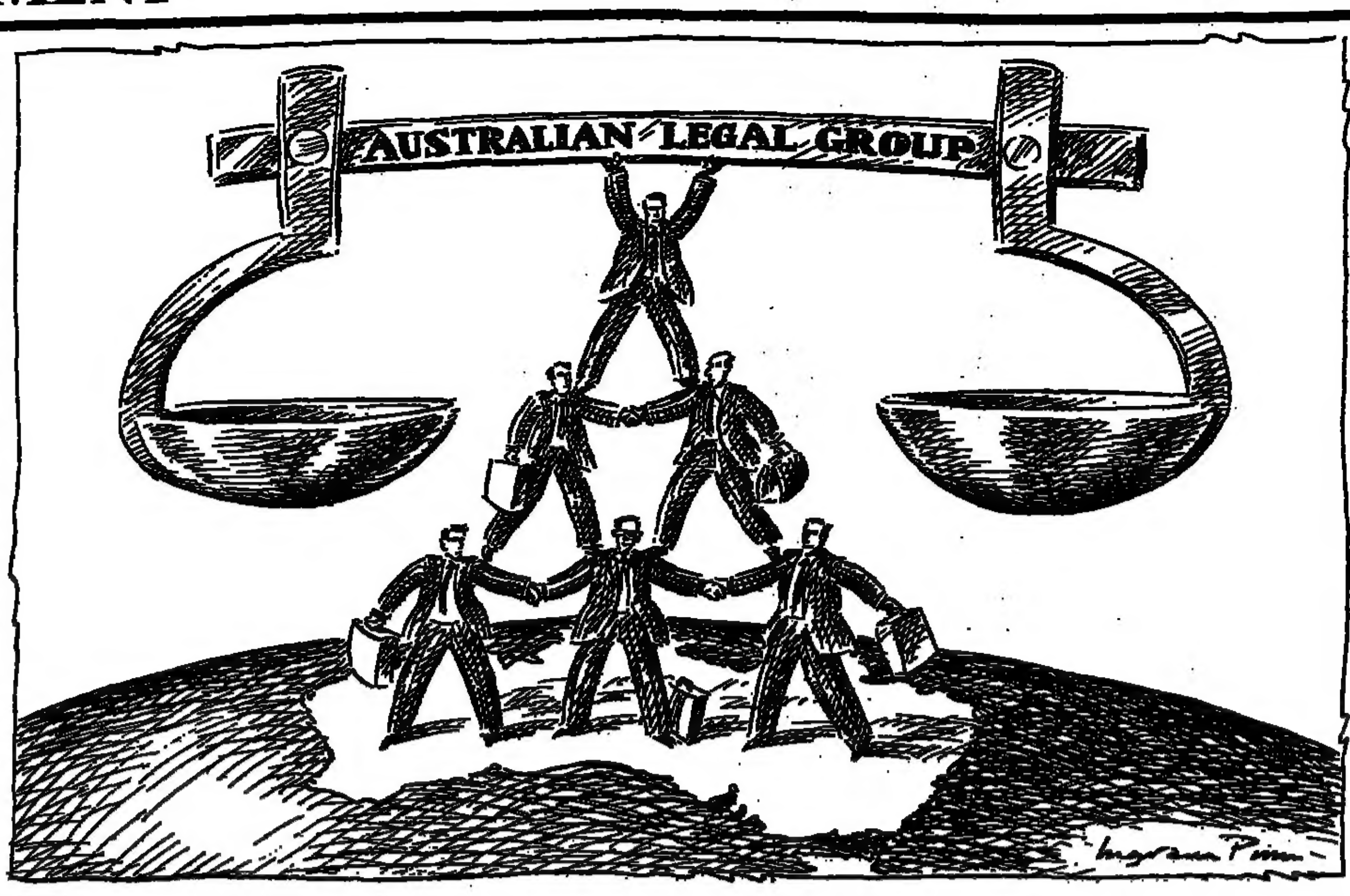
By Olli Virtanen in Helsinki

THE Finnish Trade and Industry Minister, Mr Ilkka Suominen, has denied widespread reports that Finland would sell Soviet crude oil to Israel. Announcement of a possible deal was made by Mr Moshe Shalal, Israel's Energy Minister, after his meeting with Finnish cabinet members in Helsinki last week.

Mr Suominen said the reports were completely unfounded and that Israel's ambassador in Helsinki had apologised for the misunderstanding.

Neste, Finland's state-owned energy group, will trade some 3m tonnes of Soviet oil on the world market this year. The group said it had not sold oil to Israel and had no plans to do so.

MANAGEMENT



Establishing a legal precedent

Five Australian law firms have forged links via a 'federation'. Chris Sherwell explains the unusual management and organisational approach they have adopted

BACK IN April, a group of five leading Australian legal firms specialising in business and commercial law announced a major link-up which they trumpeted as a milestone in national legal practice.

Called the Australian Legal Group, it was the result of months of secret discussions and planning. It created one of the largest and most powerful legal networks in Australia, with offices in the country's five major cities and abroad in London, New York and Singapore.

Six months later, despite criticism from their rivals, the five are convinced they have found a new "federal" method of co-operation which can ensure expansion for a legal firm without a loss of identity.

It has already been dubbed "The Aussie Alternative", and there may well be a lesson in both organisation and management for law firms in the US and Britain, where links are generally looser and more informal, and tie-ups are achieved through full-blown takeover or merger.

The arrangement is an ingenious if belated response to several pressures. One was from major corporate clients, which were doing increasing amounts of business across the boundaries of Australia's six states and two internal territories. Ten years ago, virtually all Australian legal firms were centred on single cities.

A second pressure came from competing firms. Freehill Hollingdale and Page, based originally in Sydney, had set the pace by linking up with smaller firms in Perth, Melbourne and Canberra. These were then taking on Freehill's name in a national partnership.

The final, decisive, influence was internal - an overwhelming desire by the members of the Australian Legal Group to preserve their individual autonomy and strong sense of identity.

"We saw what was going on in the profession as other Australian firms started to merge, and we didn't want to be left without dancing partners," says Philip King, managing partner at Allen Allen and Hemsley, the Sydney-based member of the conglomerate and the country's oldest legal firm.

"We could see the advantage of having strong full-service firms for our clients in key Australian locations, but each of us was reluctant to get into bed with the other through a merger. So we have a federation instead.

"Our critics say we are trying to have the best of both worlds. Well, we are. It is not an empty arrangement. It is developing very well."

Other members of the conglomerate are Arthur Robinson and Hedderwicks (a large Melbourne firm which is itself the product of a full-blown merger), Parker and Parker of Perth, Feez Ruthning of Brisbane and Finlaysons of Adelaide.

Before the arrangement was agreed, Allens was already linked to Parkers in a joint venture which began in 1981. Later Arthur Robinson joined them in a tripartite exclusive agency arrangement under which each would refer business to the others in their cities.

At the same time Allens had agency arrangements with two Adelaide firms – the new agreement has cut that number back to one – while in Brisbane it had a strong link with Feez Ruthning.

While giving each firm a wider base, these ties were not as easily identifiable as the single Freehills firm or another entity, merged from Stephen Jacques in Sydney and Stone James in Perth.

The competition looked like intensifying further when the latter grouping linked up with Mallesons of Melbourne to form Mallesons Stephen Jacques in late 1986. By then, however, the idea of the Australian Legal Group was slowly starting to crystalise.

When the group was finally launched – it took a long time to agree on the name and some 30 alternatives were considered – there were special presentations to clients and the press. With a total of 150 partners and 500 lawyers, the group's raison d'etre is clear – to give the five members the benefits of one Australia-wide firm without the problems of creating and operating such a firm.

Since the launch, each firm has adopted the same style of letterhead (it shows its own name as a member of the Australian Legal Group), and distinguishes itself with a small ribbon of identifying colour in the corner. Signs are being introduced at offices to proclaim the link-up openly.

Practical management of the group is handled through regular meetings of senior partners (two from each firm) every few weeks and a telephone hook-up of the five managing partners each Monday.

One issue which has preoccupied them recently has been the establishment of an office in South East Asia. The group wants one in Hong Kong, and it would be an important development because, unlike the existing firms in Australia and abroad, it would have to be manned and funded by all five firms jointly.

One problem for the group is a shortage of skilled lawyers to meet demand – a demand which is not likely to let up in the wake of the worldwide stock market collapse, which has hit Australia more strongly than elsewhere.

The single most important change arising from the grouping concerns the so-called "mutually exclusive" arrangement, which is now expanded to five firms and has been put on a more formal footing.

The arrangement means that, unless the client objects, any business being handled by one of the firms in one state automatically passes to another of the members if related work needs to be done in another state.

It also means that if there are legal areas where one firm is known to be stronger than another – Finlaysons, for example, has expertise in maritime law, Parkers in industrial relations law – work in that area too may also be referred across. Likewise, if there is a major piece of litigation involving more than one state, one firm might now send someone across to another for a short period of attachment.

"The volume of work referred has increased substantially," says Michael Robinson, managing partner at Arthur Robinson and Hedderwicks. In at least one case a client with operations in another state has switched to the group member in that state.

Clients overseas are no longer dealing simply with a one-city firm. The firms themselves feel they have a much more effective "shop window" abroad, while their expertise at home – a Japanese section at Allens, for example – may have even wider use.

As for the fees clients pay, the firms charge each other in the customary way for work referred to them and the client receives his bill from the firm he normally deals with.

Significantly, however, there are no planned reductions in costs, so fees are not changing. And among the member firms there is no profit-sharing.

How has the arrangement helped the firms in the practice of law? According to Philip King, partners have been brought together from all member firms in several speciality areas.

Every few months, groups of ten to 25 partners meet under the chairmanship of the host firm in a particular city to work out common guidelines for the conduct of their business - standardising documents, how best to interact when issuing instructions, referring cases or giving opinions, and keeping up with legal developments.

Beyond this the group has begun making group purchases at a discount, both of equipment and of ordinary consumables. It has also appointed a training director, responsible for standardising at the highest possible level a programme of internal training for group staff.

Intangible benefits are also felt to have emerged. "People working for the Australian Legal Group now feel they are part of one big family," says King. "At the same time, each firm remains independent and retains complete confidentiality about its business. There is no sharing of financial information."

But the group's critics say the arrangement's perceived weakness remains that the firms are not clearly under one banner.

In their view, legal firms depend crucially on their name, and there is no reason to suppose one member of the Australian Legal Group would see the weaknesses or difficulties of another member as representing the same sort of threat to their good name as if there were a full-blown partnership.

The group's rivals see other problems, too, notably on the critical matter of situations in which conflicts of interest arise. The starkest example would be where the client of one member firm wishes to sue the client of another member.

King says this poses no problem. "We have an agreed statement of principle among ourselves which governs this issue of conflict and it is workable. In the relevant circumstances we would get in touch with each other and explain the position."

But a rival firm says the group cannot have it both ways – on the one hand providing a uniform legal service, which would include the exchange of often confidential information, and on the other preserving the latitude to sue clients of another member firm, save, apparently, where it is in their interests not to do so.

King's answer is that uniformity of standards of service does not require the exchange of confidential client information.

"Trust counts for a lot. The whole thing will only work if it makes good commercial sense and there is a good personal relationship. There is no signed legal document linking us together, only an aide memoire. The moment one tries to take advantage of another, it won't work."

Good health – you cannot bank on it

BY MICHAEL SKAPINKER

COULD THE resignation of your chief executive be damaging to your health? Are you more likely to smoke if your company moves to new premises?

Dr Alan Bailey, of the private health services organisation Bupa, this week presented some striking statistics on employees of two merchant banks.

Although he said it would be improper to draw any general conclusions from the evidence he presented, his research does point to the possible existence of a link between the health of a company and that of its employees.

He could not, for reasons of confidentiality, disclose the names of the two organisations. He did, however, describe them. Bank A is privately-owned with a strong corporate identity. It has had few changes in its leadership over the past year.

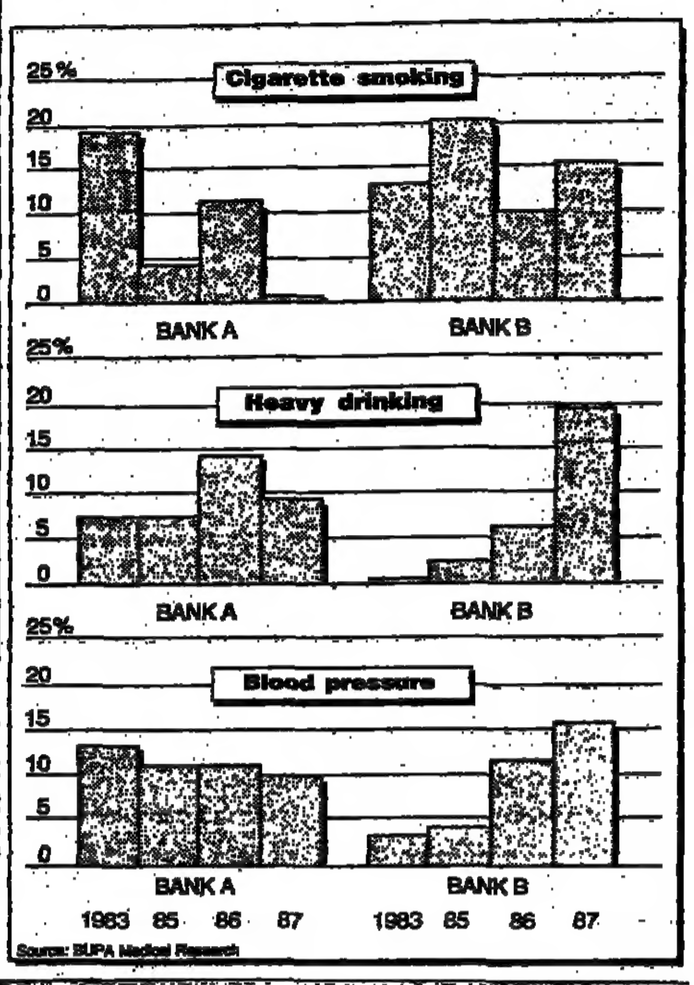
Bank B, on the other hand, was taken over by another company before last year's Big Bang. Its chief executive resigned, it moved to new premises and it has been involved in a scandal.

The level of stress in Bank A has been higher this year than it was in 1986, the year leading up to Big Bang. Bank B, however, showed an even higher level of stress than Bank A both last year and this year.

Similar patterns appeared when Bailey looked at other measures of health and stress. Employees of Bank B experienced higher levels of depression. Their blood pressure and cholesterol levels were higher.

Although employees of Bank A smoked and drank relatively heavily last year, they have since cut down on alcohol and cigarettes. In Bank B, on the other hand, alcohol and tobacco consumption have risen.

"Could it be that A is having time to educate and promote health, while B is so stressed that its corporate health is being neglected?" Bailey asked.



Source: BUPA Medical Research

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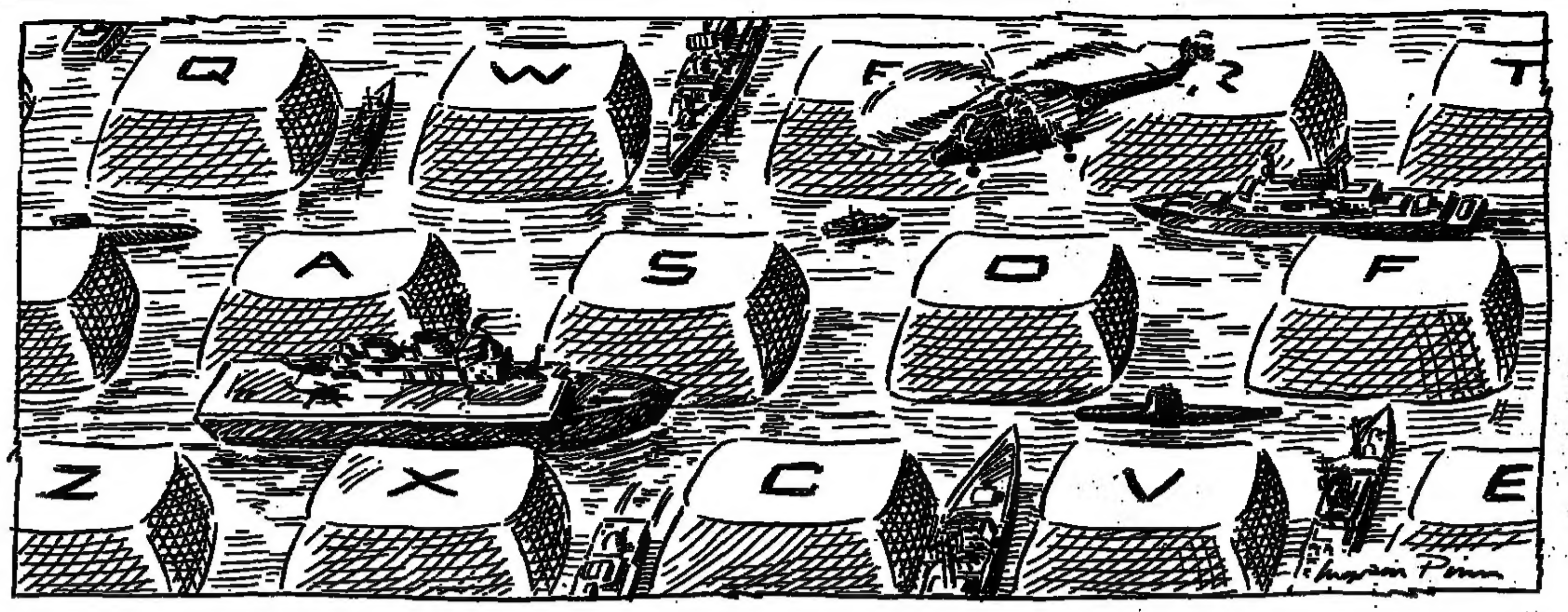
In a way, it's typical of our approach to management consultancy. We prefer warehouses to ivory towers. We have a healthy scepticism of theory, preferring to adopt a 'hands-on' approach.

Even if, occasionally, it means getting to grips with the likes of Moss Man.

Price Waterhouse



A system no longer all at sea

David Thomas explains how the Royal Navy plans to get its computer networks fighting fit

HAVING THE right computer strategy is as crucial in modern warfare as maintaining morale among the troops. Computers are at the heart of all aspects of modern fighting, whether it is a question of controlling complex weapon systems or managing the huge amounts of stores necessary to sustain one of the services.

So a project recently completed by the Royal Navy to define its computer strategy for the next century is potentially of the utmost importance for Britain's defence capability. Moreover, the way the Navy approached this difficult task might hold lessons for commercial organisations worried about the long-term evolution of their computer systems.

For although the Navy has demands not found in the commercial world, such as the need to ensure its computer systems cannot be easily destroyed in time of war, in other respects the Navy's requirements parallel those of large companies.

"Some of our multinational clients have had similar problems to those of the Navy," says Alan Vickerstaff, of Coopers & Lybrand, who led the consortium of consultants which worked with the Navy on its new strategy.

Senior officials in the UK Ministry of Defence gradually came to feel the need for a fundamental re-think in the Navy's approach to its computers in the early 1980s. This feeling of unease culminated in a report by the chief scientific adviser in 1984.

"He concluded in that report that actually we were in a bloody awful mess," says Captain Chris Belton, the engagingly direct naval officer who led the naval team which worked with the consultants in the subsequent review.

Many of the problems then faced by the Navy were due to the service having been quick to spot the importance of information technology: its experience of computers dated back well over 20 years. As a result of this long exposure, several problems had piled up which could be ignored no longer.

In particular, bits of the Navy had bought computer systems over the years to meet their own needs without thinking about how they would fit into service-wide requirements. By the mid-1980s, the Navy had close on 1,000 systems, large and small, few of which could communicate with each other.

The problems thrown up by this patchwork of computer systems were made more acute by a structural division running through the way the Navy organised its information: a split between "operational information" (basically communications involving ships) and "non-operational information" (on-shore communications).

For instance, the Navy had a large and effective computer system for managing materials onshore and an equally impressive ship-based system. But the two systems used different hardware and software, partly because the on-shore system was set up years before the ship-based one, with the result that they could talk to each other only with difficulty.

The fragmentation brought about by technological advance was compounded by an organisational flaw in the Ministry's approach to information technology. There was no single directorate responsible for computer strategy, so there was no one person responsible for getting things right.

Early last year, a joint Navy-consultancy team was appointed with the remit, in Belton's words, "to get our act together." The Navy was convinced that huge savings, principally in staff costs, were one prize that could flow from this work.

Getting the Navy's act together meant working out a view of a design – codenamed by the review team Information Systems Architecture (ISA) – which could both solve the problem of lack of communication between the service's many systems and provide the core of a plausible computer strategy for the next century. The review team approached this mammoth task in several phases including:

- The Navy is large: it has 120,000 personnel. It is complex: aspects of its activities such as its pay and engineering operations are unique. And it is geographically dispersed. So the review team decided to start by modelling the Navy's operations "to get a preliminary handle on who does what and where," says Vickerstaff.

- Informed by this preliminary work, the team put together a "conceptual architecture," as Vickerstaff calls it, which was designed to sketch out the fundamental requirements of the Navy's future strategy. At the heart of this was the need for networking – the idea that Naval personnel should be able to get all the information they need from a computer through one terminal at their place of work. This basic vision of a Navy-wide network, in turn, generated conclusions about the extent to which local area and wide area networks would be needed.

- The team established a technology advisory panel, made up of leading experts from the worlds of academe, business and consultancy, to advise it on the technology likely to be around in the year 2000, since it was no good planning a strategy for the Navy which turned out to be technologically either out of date or ahead of its time. The panel agreed on one key point: by the turn of the century, the computing power available on the desktop would be more than that locked up in the average mainframe at present.

- The team then followed up its modelling activity with a series of visits to find out what computer systems the Navy had now. The visits confirmed the fragmentation of the Navy's information technology effort. "What was in place almost read like a vendor catalogue – there were many, many different suppliers. And it rammed home how few communications systems were in place," says Vickerstaff. But the visits also told the review team that many of the Navy's individual systems were first-rate: they provided a good foundation on which to build a coherent strategy.

- Next step was to work out precisely what information and applications a common architecture for the Navy would have to serve. The team managed to identify close on 100 applications which the new computer strategy had to meet. Here the key was to focus on the Navy's functions – such as materials and personnel management, finance, fighting – not on how the Navy happened to be organised at present. At this stage, the team had to build in two considerations specific to the Navy: security, so that naval personnel could get access only to information for which they were cleared, and specifying which functions were most critical in time of war.

- Finally, the team filled out the earlier sketch of its recommended ISA. Detailed conclusions were reached on key requirements, such as processing power, systems software, applications to be served, data to be provided, communications functions needed to allow networking and the standards and organisational structures which would allow progress towards the ISA.

The review team's report, finished this April, was weighty: it had 147 recommendations. Yet it was not intended as a rigid blueprint from which the Navy should never deviate. This would have been impossible for several reasons.

First, the team concluded early on that it was neither desirable nor practical to specify a narrow range of hardware and software to which the Navy must stick. Thus, for example, though the team decided it would be wise to use a particular operating system, called Unix, for mid-range systems, this could not be a universal injunction.

Second, since the report was looking ahead to the year 2000, elements of the final architecture it was envisaging required technical advances – in areas such as expert systems and communications methods like the Integrated Services Digital Network – which had not yet happened.

Third, organisational decisions would also determine how much of the architecture could be implemented. The team concluded that the full ISA was incompatible with present security policy, which had been formulated in the days when most communications were on paper. Similarly, a key to pushing through the ISA was the establishment of a single department, with a powerful head, whose job would be to co-ordinate all information technology decisions in the Navy.

So the final report was in the nature of a strategic plan for the Navy to follow in broad outlines as technology evolves. It has been endorsed as such by the powerful steering committee of Naval chiefs which oversaw the work of the review team. Further work is now under way on the details. If the Navy sets up the proposed information technology directorate, its first head is likely to regard this plan as his bible.

Israel digs deep for desert fish farms

By Geoffrey Charlish

FISH FARMING in the desert could become commonplace following pioneering work carried out in the arid sand and gravel flats of the Arava valley in Israel.

Using a method devised at Tel Aviv University, the Arava farmers are using salty ponds fed by underground water sources to breed tilapia, known as St Peter's Fish in Israel.

Previously unexploited, such underground water sources proliferate throughout the arid regions of the world and in sunlight their high mineral content allows algae to grow copiously and feed the fish.

But the fish have to be resistant to high temperatures and to the very salty water. This problem was tackled by Professor Fishelson of the university's zoology department, who has developed a hybrid strain of Nile tilapia which, provided the brackish ponds are kept clean, can be grown at the rate of two or three fish per square metre.

It was found that 80 per cent of the fish's needs could be met from algae growth alone, saving appreciably on feed. Utilising the 360 days a year of sunshine in the area, 100,000kg of fish per hectare has been achieved, which is some 15 times higher than normal production in commercial fish ponds.

EAGLE EYE

by Louise Kehoe

Ringing in for the run around

IF YOUR phone calls are to US corporations, the chances are that you have encountered an increasing number of "voice messaging systems" in recent months. In Silicon Valley, these systems seem to be quickly becoming a standard part of business life.

The system works something like this. You call Joe Bloggs at XYZ Corporation. Your call is greeted by a computer which tells you to dial Joe Bloggs' extension number, if you know it, at the tone. If not, dial 0 for a (human) operator.

Either way, you end up getting through to Joe's phone. Unfortunately, he is not there. His voice, however, tells you how sorry he is to miss your call and requests that you leave a detailed message at the tone. The system adds other alternatives such as the possibility of once more returning to the operator, or perhaps dialling the extension of his colleague or assistant – and if you do not know that number, but want to, you can get back to the operator by dialling...and so it goes on.

In theory, the systems reduce the frustration of playing "telephone tag" with repeated return calls to each party. In practice, however, people who do not like talking to computers or those who are not sure who it is they need to speak to, can end up in what feels like a maze of computer tape.

Resistance to the automation of verbal communications has been a significant factor in slowing the spread of voice messaging systems, according to market researchers.

But it seems that the computers are winning. US sales of voice messaging systems grew by 130 per cent this year to total 6,000 systems, according to Dataquest Inc, the market research company.

Dataquest itself adopted a sophisticated voice messaging system earlier this year. One of the major advantages of the systems, according to companies that use them, is the ability to circulate a memo to selected (or all) staff members automatically by programming the system to leave the message in appropriate "voice mail boxes".

Another plus, they note, is that if a person is going to be out of the office for an extended period his messages can be automatically routed to a stand-in.

Of course, if his secretary were answering the phone then perhaps it would be possible to screen and route calls more effectively...but then secretaries and trained telephone operators tend to cost more in the long term than a computer.

And talking computers have other uses. There are the kind that dial your number and deliver a recorded message. These systems are becoming more and more sophisticated, and more and more irritating.

The phone rings, typically in the evening. Pick it up and you hear a friendly voice tell you, Louise Kehoe, that you need to know about such and such a change in the tax law. The next line is usually something that tries to coerce you into saying something. "Do you care about your children's future?" is an abbreviated version of the typical message.

Assuming that you utter some response, the computer will continue to bombard you with information about the investment product it is promoting. I'm not sure what happens if you get into deep conversation with one of these systems. I've never had the patience to stay on the line that long.

More organised life is on the agenda

MITCHELL Kapor is the latest of the personal computer industry's leading figures to announce plans to start over with a new enterprise. Kapor, who founded Lotus Development the world's largest and most successful

applications program company, resigned the chairmanship last summer.

He has spent the past 12 months working on a program called "Agenda" that was launched in the US last month. Agenda attempts to provide personal computer users with a flexible "information management" system.

It is, says Kapor, "a tool for viewing and organising heterogeneous items of information such as notes, schedules, goals, drafts, lists of tasks and ideas. "In other words it provides a way to organise all of the really important information that most of us currently have scribbled on bits of paper and backs of envelopes.

"Agenda points the way," says Kapor. At On Technology, he aims to create software that is "compatible with the way people actually communicate and think. We're going to make it easier for application program developers and users to break down the barriers between users and personal computers."

In the meantime, some of us are still trying to figure out how Agenda works and whether it really is as important as some of the analysts would suggest. One of the problems faced by Kapor and others who envisage "person compatible software" is that they are way ahead of most of us. It will take a lot of explaining to sell Agenda to the average personal computer user.

With a little kelp from our friends

IN A cluster of greenhouses surrounded by a field of Brussel sprouts, Ocean Genetics of Santa Cruz California, is raising a crop of slimy seaweed. This is not, however, an attempt to introduce a new exotic vegetable. In fact, the seaweed growers hope that their crop will eventually yield natural pharmaceutical and pesticide products.

Two years of joint research with chemicals giant Merck Sharp & Dohme have convinced the biotechnologists that they will be able to tap the resources of marine vegetation to produce a wide range of potentially important products. Already, Ocean Genetics has begun laboratory production of a naturally florescent pigment found exclusively in certain types of seaweed, that may be useful in cancer diagnosis.

Ocean Genetics has also identified potential products of marine organisms that detoxify some of the most noxious classes of chemical waste.

The company's president, Wayne Harvey has ambitious plans to pursue the commercial development of such products as preservatives, colour agents, vitamins and flavour enhancers, as well as natural pesticides and pharmaceuticals.

All this, however, is in the future. To prove its production technology and to pay its way, Ocean Genetics is currently concentrating on the rather more mundane, but lucrative, business of harvesting "agar" and "agarose", a sugar and a gel derived from it, that are widely used as a tissue culture medium in biomedical laboratories.

Virtually all of the supplies of these materials currently come from seaweed that has been dragged out of the sea.

In contrast, the biotech company's seaweed is cultivated and processed under closely controlled conditions. The key to Ocean Genetics' technology is its ability to grow massive quantities of specific strains of seaweed. Starting with a few cells scraped from a sample and nurtured in a test tube, the seaweed is moved to progressively larger tanks until it reaches a 7,000 gallon pool.

Counting the true cost of computers

HOW MUCH do computers really cost? Advances in semiconductor technology have sharply reduced the price of computer power over recent years, but the total cost of ownership of a computer system is on the rise.

Ironically, the accelerating pace of technology development that has pushed computer prices down is also shortening the life cycle of these machines, meaning that the computer you might buy today may be obsolete within about three years.

That is down from a typical five-year computer product life span in the early 1980s. Although most companies currently depreciate computer equipment over a five-year period, this may be too long in the future, computer consultants say.

For personal computers, a two-year "write off" period is more appropriate, they advise.

The problem is that obsolete computer equipment becomes increasingly expensive and difficult to service and maintain.

The initial purchase price of a computer also represents only about 40 per cent of the cost of the system over a five-year period, with software, equipment add-ons and maintenance accounting for the larger share of the cost.

UK may pay £16.5m to cut agriculture surplus

BY DAVID BLACKWELL

BRITAIN is proposing to spend £16.5m in 1989-90 and £22m the following year to pay farmers to take land out of cereal and beef production.

The plans, outlined in a consultation paper launched by Mr John MacGregor, the UK Agriculture Minister, in London yesterday, are the first to be produced in what is intended to be a series of so-called "extensification" schemes to be drawn up by EC member states aimed at reducing *agricultural surpluses.*

The intention is for farmers in each country to be offered financial incentives to reduce production, including leaving some land fallow.

If the British scheme, which will be voluntary, goes ahead next spring, farmers who take it up will be expected to reduce their production by 20 per cent for a five-year period.

They will be paid a *flat rate* – the ministry estimates £150 to £200 a hectare – to leave land fallow, put it down to forestry or use it for non-agricultural purposes.

Mr MacGregor pointed out that Britain was the first community state to come up with concrete proposals for extensification. However, he would not go ahead with the scheme unless others were seen to be launching similar measures.

The idea of taking land out of production was initiated by the UK in September 1986, when Mr Michael Jopling, who was then Agriculture Minister, hosted an informal meeting of EC agriculture ministers.

In June this year the EC Agriculture Council adopted a regulation obliging member countries to produce a plan by April 1 next year aimed at reducing the grain and beef surpluses.

Mr MacGregor is anxious to consult as many interested parties as possible by February 2, when the scheme will have to be put forward for approval by the European Commission and go through the House of Commons.

Extensification is seen as complementary to the community's moves to reduce agricultural surpluses by means of "stabilisers," under which support prices will be cut automatically once production targests are reached.

Proposals for this are still under negotiation by member countries.

CBI rejects plan on R&D disclosure

BY RICHARD WATERS

THE Confederation of British Industry is to recommend that companies should not be required to disclose the amount they spend on research and development.

This reverses a recommendation from the CBI's City/Industry Task Force, which two months ago said that R&D figures were a vital element in the link between companies and financiers.

Communciation with the City of London was a key concern of the Task Force, set up to investigate City short-termism. Companies should make "more effort themselves to keep markets informed of their longer term strategic intentions and in particular about spending on research on *development*", it said.

In a letter to the Accounting Standards Committee, the CBI says companies should not be forced to report their spending on R&D.

The ASC is preparing an accounting standard requiring companies to show this figure. Only 20 per cent do so, according to a survey for the task force.

The CBI objection is believed to centre on the relevance of the R&D figure to readers of accounts. Spending in other areas such as training, marketing *and software were as important* to a company's future as R&D, it said. Singling out R&D did not give an indication of a company's future profitability.

"In my view that is not a very compelling argument," Professor Michael Bromwich of the London School of Economics, who has lead the ASC's work on R&D, said yesterday. The lack of information on such matters as training costs should not hold back disclosure, he said.

In a paper in October, the Task Force said that companies should not be forced by law to *show R&D spending, but it sup*ported a Statement of Standard Accounting Practice, "which leaves open the possibility of not disclosing should there be a sound reason for doing so".

Such reasons include *the fact* that single-product companies would give away commercial secrets - although this concern is described by the CBI as "of secondary importance".

Increased hopes for £250m Soviet deal

By Peter Riddell, Political Editor

HOPES of a breakthrough in talks on a £250m contract which a British consortium is seeking to win in the Soviet Union have been raised following discussions on Monday during the brief stopover by *Soviet leaders* at *Brize* Norton at Oxfordshire on their way to Washington.

GEC, the electronics group, and Simon Carves, the engineering company, have been involved in lengthy negotiations over building a factory automation equipment plant at Yerevan in Armenia. A letter of intent was signed during Mrs Thatcher's *visit to Moscow last March*, but the order has not yet been firmed up.

Officials yesterday confirmed that the Yerevan contract was mentioned during *a short discus*sion of trade policy on Monday. The deal is regarded by the British as an indicator of the Soviet intention to fulfil previous pledges to increase bilateral trade by at least 40 per cent.

There was disappointment in London that the expectations raised during Mrs Thatcher's Moscow visit have since not been met, notably when a £450m contract to build a polyester plant in the Urals went to a Japanese group rather than to a Davy McKee/West German consortium.

Bank proposes tough rules on sale of mortgage loans

BY RICHARD WATERS

A SECONDARY market in domestic mortgages in the UK was given a major boost yesterday with the publication of a paper by the Bank of England's supervision division.

The paper outlines the circumstances in which banks which sell their mortgage loans to third parties can regard their involvement in the loans as over.

Unless certain conditions laid down by the Bank are met, the loans will continue to figure in banks' risk asset ratios.

Lack of agreement between the Bank of England, auditors and banks has held back the secondary market, since there has been uncertainty about whether packaging mortgages and selling them in bulk to investing institutions would successfully end a bank's liability.

"We have been talking to the Bank of England for some time about this," Mr Humphrey Norrington, a Barclays Bank director, said yesterday.

"We have been trying to square with them what we will have to do to get it (mortgage lending) off our balance sheet and at the same time play fair with borrowers.

"We have done nothing. There is no point in going ahead unless the Bank agrees that it takes it off our balance sheet." A handful of banks had experimented with securitisation, but only in small amounts, he said.

A secondary market could free large amounts of banks' capital, after their aggressive move into mortgage lending in recent years. Barclays has £3bn-£4bn of mortgages outstanding, while National Westminster claims to top this.

A plan by Barclays to take a block of mortgages off its balance sheet fell foul of the the Bank of England two years ago. The scheme was later retracted.

The rules will not affect third world debt, for which a burgeoning secondary market exists, the Bank said.

Details emerge on pay structure for nurses

BY DAVID BRINDLE, LABOUR CORRESPONDENT

FIRST DETAILS emerged yesterday of the revised nurses' grading structure, which the Government hopes will prove decisive in stemming the exodus of trained staff from the National Health Service.

However, it became clear that the Department of Health and Social Security and the nursing unions have widely differing ideas of the salary rates which the nurses' pay review body is being asked to set for the structure.

According to the unions, the DHSS has proposed that nine of the 10 agreed grades should run between the nursing auxiliary minimum adult salary (at present £4,565) and the "senior nurse 7" maximum (£13,550.)

The unions say this could mean some staff facing pay cuts. *Mr Hector MacKenzie*, the unions' chairman, said yesterday he was looking for a structure "starting no less than £6,500 and going up to over £20,000."

Reform of the grading structure, basically unchanged since 1948, has been under negotiation for 10 years. An agreed framework has finally been jointly submitted to the review body, but is not expected to take effect until January 1989.

The main aim of the reform is to offer improved earning opportunities for nurses - especially specialist nurses at the centre of current staff-shortage controversies - who otherwise have to move into management or nurse education to boost their income.

Outline details of the agreed framework were published yesterday in the unions' own joint submission to the review body. As in recent developments in the Civil Service, it is proposed to construct a single pay "spine" for all 500,000 nurses, midwives and health visitors.

Within the spine, there would be the 10 grade scales - each with increments worth 4 per cent - including overlap between *staff nurses* and *sisters* and allowing as many as four different grades for sisters.

Mr MacKenzie, general secretary of the Cohse health workers' union, said: "We have witnessed in the past few weeks a rapidly worsening situation which I think we can really now describe as a nursing crisis."

Flexibility 'crucial' to plan for pit

BY PHILIP BASSETT AND LUCY KELLAWAY

BRITISH COAL yesterday told miners' leaders in South Wales that an agreement on six-day production was "crucially important" if plans for the £90m Margam mine were to proceed.

Mr Ron Price, the corporation's South Wales area director, told the National Union of Mineworkers' area executive that with the weakened dollar making imported coal even cheaper, flexible working was vital to the proposed pit.

In talks with the area union, British Coal said that no start could be made on constructing Margam until an agreement on the issue had been reached.

However, Mr Price also made it clear that progress could only be made if the NUM was prepared to discuss nationally the principal of flexible working.

● Miners in North Yorkshire have broken the UK record of five tonnes of coal per man per shift, despite the ban on overtime. The area made a profit after incurring capital charges of £140m, it was announced yesterday.

The most productive pit was Wistow, with 13 tonnes per man per shift.

The average for North Yorkshire was 5.5, compared with a previous record achieved before the overtime ban of 4.9 tonnes.

UK NEWS

Building industry growth 'to be highest in Europe'

BY ANDREW TAYLOR

BRITISH CONSTRUCTION output this year is expected to have grown almost twice as fast as any other leading European country. Britain is also forecast to head the growth league by a wide margin next year, according to Euro-Construct, a group of leading European building researchers and economists which met in Munich last week.

Construction output, led by a boom in office building in central London and private house building, is forecast to have risen in Britain by 7.5 per cent this year. It is expected to increase by a further 3 per cent next year.

French output, by comparison, is forecast to have risen by 2.8 per cent and is expected to rise by 1.6 per cent next year.

West German output is forecast to fall by 1 per cent this year and by 0.5 per cent next year.

The British forecasts have been produced by the National Economic Development Office which, with James Capel, the stockbroking firm, provide the two UK members of Euro-Construct.

The organisation, which meets twice a year, researches construction activity in 11 European countries: Britain, France, West Germany, Italy, Belgium, Denmark, Netherlands, Norway, Austria, Sweden and Switzerland.

According to Nedo, which published its detailed forecasts yesterday, British construction output has grown faster this year than during any other year since the mid-1960s.

Nedo described 1987 as a scintillating year for the construction industries.

The high growth rate stemmed almost entirely from the private sector with a "remarkable 20 per cent increase confidently predicted for commercial construction" – particularly of offices and shops.

The rate of growth for all construction is forecast to slow to 3 per cent next year and just 0.5 per cent in 1989. The forecast, however, discounts the possibility of a world recession.

It says any adverse effect on construction from the recent sharp fall in share prices will depend upon company directors reassessing investment plans. This would take some time to affect the level of output.

Nedo, however, forecasts only a marginal increase in commercial construction during 1989, "largely on the grounds that the offices sector will be past the heyday of the stock exchange Big Bang era into the post Big Crash era."

Before then the commercial sector could enjoy a further 10 per cent growth in output next year, from schemes already underway and from new developments committed to start building shortly.

The Canary Wharf office scheme in London's Docklands, which developers Olympia & York says it is committed to build, will on its own add about 2.5 per cent to commercial construction output, says Nedo.

The forecasts exclude any benefit from Channel Tunnel orders; none the less industrial construction is forecast to increase by 9 per cent this year, by 5 per cent next year and by 1 per cent in 1989.

Private house building, which this year will have had its best year for output since the early 1970s, growing by about 6.5 per cent, is expected to decline by about 3.5 per cent next year and by 5.5 per cent in 1989.

Public housing, where local authorities are being financially squeezed and are having their role re-examined by the Government's Housing Bill, is expected to decline by 8.5 per cent this year and forecast to fall by a further 16.5 per cent in 1988 and by 12 per cent in 1989.

Opren case believed to have been settled

By Raymond Hughes and Peter Marsh

DAMAGES CLAIMS by the majority of the alleged victims of the arthritis drug Opren against Eli Lilly, its US manufacturer, and the British Government, are believed to have been settled.

A High Court judge, Mr Justice Hirst, is to make a statement about the case today. He has been dealing with pre-trial issues in the litigation for some months.

Yesterday neither the solicitors for the 1,500 plaintiffs nor Eli Lilly's solicitors would comment on the case.

The plaintiffs are claiming damages for personal injuries allegedly caused by the side-effects of Opren, which was withdrawn from sale in 1982 after it had been linked with 74 deaths and nearly 4,000 cases of illness.

Companies in the Eli Lilly group are alleged to have been negligent in the testing and marketing of the drug and the British Government in licensing it.

Eli Lilly has been under increasing pressure to settle the claims following concern that arose earlier this year that prohibitive legal costs could force a third of the mostly elderly claimants to pull out.

The court had ruled that a small number of "lead" cases should be selected to be heard first, with the costs being borne equally by all 1,500 claimants, regardless of whether they had legal aid.

The ruling was a setback to claimants without legal aid, who had hoped to ride on the back of the lead cases.

Shortly afterwards an anonymous "Fairy Godparent" - later revealed as being Mr Godfrey Bradman, founder of the Rosehaugh property group - came onto the scene and offered financial support to 500 claimants faced with having to withdraw because of the expense of fighting their claims.

The expected ruling applies only to Opren claimants who brought their cases before January this year. Mr Richard Barr, a solicitor acting for 200 people who have filed claims since then, said the fight would go on to gain a settlement on their behalf.

It is believed 250 more people in Britain, in addition to Mr Barr's clients, are considering further claims against Eli Lilly over Opren.

Mr Barr said that if it appeared difficult to gain a settlement in the UK he would consider taking the case of his clients to US courts.

Controls eased on exports to Soviet bloc

By Peter Montagnon, World Trade Editor

THE GOVERNMENT yesterday announced that it was lifting controls on export to the Soviet bloc of a number of electronics items.

The relaxation is in line with changes already agreed with other member countries of the Co-ordinating Committee for Multilateral Export Controls.

Goods covered range from low-level personal computers to audio recorders, commercial and professional video cassettes, magnetic tape and certain hand-held communications systems.

Cocom comprises Japan and all Nato countries apart from Iceland. Its job is to prevent sensitive technology reaching communist countries.

Mr Alan Clark, Trade Minister, said the relaxation should ease the burden on all exporters, from small businesses to large corporations.

However, the Government's revised list of products subject to restriction introduces and extends controls on a number of items, including chemicals, nuclear separation materials, integrated circuits and submersible systems.

Philip Coggan on the success of some BES investors

Takeovers expand venture profits

INVESTORS IN the Business Expansion Scheme can afford to take a lofty view of the stock market's recent gyrations. While most equity investors have been licking their wounds since Black Monday, a series of takeovers and flotations have indicated just how lucrative a BES investment can be.

RECENT OFFERS OR FLOTATIONS FOR BES/BSS COMPANIES

Company	Original share price	Float or offer price	Implied profit for top-rate taxpayers (%)
W.H. Allen	17p	25p	268
Black & Edgington	455p	1,350p	650
Investors Newslett.	15p	38½p	157
P.E.Kemp	27p	60p	456
Miss World Clubs	13p	8p	-38
Sinclair Int'l	50p	200p	1,500
Stuart Wyss Ogilvie	50p	925p	1,750
Swindon Priv. Hosp.	100p	201p	700

Income tax only credited where appropriate; no account taken of capital gains tax

Take Black & Edgington, a marquee and tent supplier, which bought itself out of the quoted Hawley Group in 1984 with the help of BES financing from a Capital Ventures fund. In August this year, Kennedy Brookes, the restaurateur and hotelier, made a £4.9m cash offer for the group.

Since BES investors must hold their shares for at least five years to qualify for income tax relief, nobody expected them to accept the £12.60 per share offer. However, BES investors owned only a minority of the equity and Kennedy Brookes indicated his willingness to make a further offer, after the five-year qualifying period, of at least £13.50 per share.

The original BES shares were offered at £4.55 each, which was in effect equivalent to £1.80 after allowing for 60 per cent income tax relief. BES investors on the top tax rate look set to realise a 650 per cent profit and, if profits of that order are not mouth-watering enough, BES investments made after 1985-86 are exempt from capital gains tax.

It seems a quite different picture from the early years of the BES and its precursor, the Business Start-Up Scheme (BSS). A series of company failures seemed to indicate that the schemes, established by the Government as a means of encouraging equity investment in small businesses, were largely a matter of high risk and no reward.

Perhaps that was inevitable. It is an old venture capital cliche that "lemons ripen more quickly than plums," which means that successful companies take longer to establish themselves than it takes unsuccessful companies to fail. Another reason for delay is that BES rules prohibit companies from being taken over for three years after raising funds. If they are acquired in that period, investors lose their tax benefits.

There may also have been a change in the kind of companies that have raised finance. "Sponsors and fund managers have become more selective," believes Mr Steven Rowe, managing director of BES Investment Research. Certainly, the early dominance of hi-tech companies did not last long.

The overall record of BES companies has been more than respectable. Recent figures from Venture Economics show that 78 per cent of BES companies are still trading, 8 per cent have been taken over and 14 per cent have failed.

Paradoxically, it could be that the success of the scheme clashes with its original spirit. In recent years, the most popular schemes have been hotels and building contractors, which could probably have raised finance without the lucrative fillip of tax relief. The concern of sponsors to ensure that the schemes they support are successful might militate against the high-risk projects for which the scheme was designed.

Most BES investors are unlikely to be distracted by such philosophical niceties while the profits keep rolling in. A two-stage takeover, like that of Black & Edgington, is not the only way they can obtain an idea of the value of their investments. BES companies can also join the Third Market, established in January, so that investors can follow their progress on a daily basis.

Theatrical engineer P.E. Kemp (Holdings), for example, joined the market at 60p, compared with the 27p at which it issued BES shares in 1984. Even though, post-crash, the shares have dropped to 41p, BES investors are still looking at a healthy profit.

In two recent instances offers have been made for struggling companies before the three-year limit. Although investors are set to lose their tax relief, there are compensations.

Publishing Holdings is paying 38.5p for shares in Investors Newsletters originally issued at 15p, so there is a profit despite the loss of tax benefits.

Although investors in Miss World Clubs are being offered less than the 13p they originally paid, BES investors are being given the right to veto the deal, despite being in a minority.

One prominent BSS company has completed its five-year qualifying period. Swindon Private Hospital, quoted on the Unlisted Securities Market, is facing a takeover bid from Health Care Services, which manages the unit. The offer values each Swindon share at 201p, compared with the original £1 issue price. Based on the then 75 per cent top tax rate, that means that some investors could have multiplied their money eight times.

It is hardly surprising that a record £148m was raised via the BES last year and it could be that the stock market crash will encourage more companies to use the scheme. Having seen the volatility of quoted investments, some company owners are bound to consider that a BES financing, which locks in investors for five years, is a better option.

BBC ban case 'strengthened'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE SECRETARY of the D-notice committee, which advises the media on national security matters, last night told the BBC that, as far as he could judge, the banned first episode of a Radio 4 series on the security service would not damage national security.

However, Rear Admiral William Higgins, the committee secretary, added: "This, of course, in no way implies any official clearance or approval."

The BBC's view last night was that Rear Admiral Higgins' comments would strengthen its case when it returns to the High Court today to try to lift, or at least narrow the scope of, an injunction which stopped broadcast of the episode last Friday.

The programme was to have been the first in a three-part series called My Country Right or Wrong, which includes interviews with a number of former members of the security service.

The injunction was granted to Sir Patrick Mayhew QC, Attorney-General, on Thursday.

On Monday Mr John Wilson, BBC controller of editorial policy, and Ms Anne Sloman, producer of the series, sought to reassure Rear Admiral Higgins that the programme did not threaten national security.

In a letter to Mr Wilson last night, Rear Admiral Higgins said: "I told you that my reassurance had been increased as a result of our meeting but I felt that this was a complicated matter and I had to be sure that the programme taken as a whole was not likely to result in any damage to national security.

"I have now considered fully all that you have told me about the first episode of the series and although, needless to say, I cannot be absolutely sure that there is no risk of damage to national security without seeing a transcript of the programme, my reassurance is as nearly complete as it can be . . ."

The BBC and its lawyers have been hoping to reach agreement with the Treasury solicitor on a more limited form of injunction.

The present injunction restrains the BBC from "broadcasting, or causing or permitting to be broadcast, as part of a radio programme entitled My Country Right or Wrong . . . or in any other way whatsoever, any interviews with, or information derived from, current or former members of the security and intelligence services of the UK relating to any aspect of the work of the said services, including their identity as current or former members thereof."

Parliament, Page 12

BBC accused of political bias

BY RAYMOND SNODDY

THE BBC is politically biased and in need of institutional reform, according to a pamphlet published yesterday by the Adam Smith Institute, the right-wing think-tank.

Mr Nicholas O'Shaugnessy, a lecturer in the department of management at Loughborough University of Technology, attacks what he calls the insidious bias of context and selection in BBC programming and claims that the organisation confuses political neutrality with political centrism.

He accuses producers of "selecting areas where the Government has performed badly and offering state funding as the only honourable solution." The points made by the broadcasters were not in themselves illegitimate, but in the aggregate amounted to distortion. Government achievements in contrast were entirely neglected.

Mr O'Shaugnessy, in a statement marking yesterday's publication, said the planned radio series on the secret service blocked by a High Court injunction was "entirely in line with the BBC's contempt for security."

The BBC had engaged in a systematic attack on the Official Secrets Act in spite of its Royal Charter obligations not to express its opinion on current affairs or matters of policy.

The pamphlet suggests the BBC should be systematically privatised, starting with local radio, camera crews, breakfast television and some regional television. Radio should be run as a separate organisation and the BBC should come under the scrutiny of an independent regulatory authority.

A Divorce for Auntie. Adam Smith Institute, PO Box 316, London SW1P 3DJ. £1.

Glengate buys out partner

By William Cochrane

KUMAGAI GUMI, the Japanese civil engineering and construction group, has sold its share in the £100m Plaza on Oxford Street, in London's West End, to Glengate Holdings, its British partner in the project.

Mr Julian Markham, Glengate's chairman, said record rents of £170 a sq ft for the Plaza's Oxford Street frontage were achieved when the first phase of the scheme, a redevelopment of the former Bourne & Hollingsworth department store, opened last September.

Mr Markham was unable to say yesterday precisely what price he had paid Kumagai Gumi for its share in the development. However, he said that the deal had been for cash and that Glengate had repaid all outstanding loans due under the joint venture.

It has refinanced the deal with a £60m facility from a syndicate of leading banks.

Mr Markham said that the Japanese company had come into the deal for the contracting work involved in the redevelopment and to take a trading profit on the property end of the deal.

The Plaza is the largest new shopping centre to be opened in the West End, comprising 120,000 sq ft of retailing on four levels around an atrium with lift and escalators. Tenants include W.H. Smith, the Reject Shop, Tie Rack and Benetton.

In addition, the upper four levels of the building have been renovated and rebuilt to provide 125,000 sq ft of air-conditioned offices around landscaped courtyards. All of this space has been pre-let to the Burton Group.

Glengate has had two other deals with Kumagai Gumi. One was in the freehold purchase of the former Post Office headquarters building at St Martins le Grand in the City of London, which was subsequently sold to Nomura, the Japanese securities house.

The other is in the Sandgates Lanes Shopping Centre in Folkestone, Kent, which is due for completion in May 1988.

Schools link to business expands

BY RALPH ATKINS

THE LONDON Compact scheme, which brings together inner-city schools and local business, is to extend into south-east London.

This follows the success of a pilot project in the East End of London launched by Prince Charles in September. The new compact, based around Peckham and Deptford, could guarantee jobs for several hundred school-leavers.

The organisers expect to announce details of a main sponsor next week. Further Compacts in south-west London and the Kensington High Street area are also likely to be launched in the near future.

Major employers in south-east London which could join the scheme include Tesco, the supermarket group which is building a large store in Surrey Docks, and John Laing Construction.

The Compact scheme, based on an idea from Boston in the US, guarantees jobs for school leavers who meet set targets including attendance, punctuality, personal skills and academic ability. It allows teachers to gain work experience in industry while giving companies a role in training the local workforce.

The East London Compact involves four schools in one of the most deprived areas of Europe. The organisers hope that by next summer more than 50 companies will be involved – securing jobs for about 300 school leavers. So far 25 have agreed to take part.

Plan to curb drink containers rejected

BY LISA WOOD

THE GOVERNMENT has rejected European Community proposals seeking to reduce the tonnage of drink containers in household refuse.

The beverage containers directive, which seeks to reduce the volume of containers, was submitted to member states for consideration. Adopted in 1985, it deals with the impact of liquid containers on the environment and also seeks to encourage a reduction in the use of energy and materials in the manufacture of beverage containers.

The directive required each member state to draw up measures to reduce the weight or volume of drink containers that end up as household rubbish.

The Trade and Industry Department said yesterday: "The UK has opted for a programme of voluntary measures by government, local authorities, and trade and industry bodies." It added that it could not yet say what these measures would be.

The DTI said the Government believed the market place should decide such matters.

Incentive funding scheme for libraries

By Antony Thorncroft

DETAILS OF a £250,000 a year "incentive funding" scheme for libraries were announced yesterday by Mr Richard Luce, Arts Minister. The scheme aims to encourage developments to improve efficiency in the public library service in England.

The awards, given in open competition, will cover up to 40 per cent of the cost of development projects and feasibility studies.

The development project awards will be aimed at providing new services, making existing ones more efficient and offering new ways of sharing resources and facilities between public libraries and other libraries or organisations in the private sector. Awards will be limited to a maximum of £40,000.

Under the feasibility schemes, up to £10,000 will be available to undertake studies into generating more income or into contracting out elements in the public library service.

The basic thinking is to encourage libraries to investigate new ways of raising cash rather than relying almost completely on public funding.

Scottish law society makes finance ruling

BY ERIC SHORT

SCOTTISH SOLICITORS must be independent intermediaries for the purpose of providing financial advice to clients under the financial services legislative requirements, the Law Society of Scotland has decided.

They will not be allowed to tie themselves to one life company or financial institution.

The Law Society of Scotland this week submitted its application to the Securities and Investments Board for interim recognition as a Recognised Professional Body under the 1986 Financial Services Act – the first professional body to make an application.

When this act comes into operation, scheduled for next July, no person or firm can give investment advice or handle investments unless they are authorised under the act.

There are various ways of achieving authorisation. Members of a profession can apply through their professional body if it has sought and obtained RPB status.

On the subject of investment advice concerning life assurance and unit trust products, the SIB has ruled that intermediaries must either be independent or representatives of just one company – the so-called polarisation requirement.

Under the proposed conduct of business rules for investment business, Scottish solicitors will be required to maintain their complete independence to avoid any conflict of interest.

However, the SIB pointed out that this was not a standard requirement for RPB recognition. Other bodies could allow members to be company representatives.

Scottish solicitors in their training have to complete a course in financial investment and it is a professional requirement to keep informed of investment developments, such as the new pensions arrangements coming into operation next year.

The Law Society of Scotland will be running investment seminars.

The society already monitors members in respect of its accounts rules and compliance with the financial services investment business rules will be an extension of that discipline.

Clients of Scottish solicitors are already protected financially through the society's professional indemnity insurance requirements and unlimited guarantee fund, providing cover far in excess of the SIB's proposed compensation fund limit of £48,000 a claim.

Harwell sets up superconductor research club

BY DAVID FISHLOCK, SCIENCE EDITOR

HARWELL, the UK Atomic Energy Authority's biggest research centre, near Oxford, is organising an industrial research club on so-called "warm" superconductors.

It is planning a three-year research programme costing several million pounds, involving its own laboratories and two Oxford University departments, the Clarendon Laboratory (physics) and the department of metallurgy. Oxford Instruments, Britain's main customer for superconducting materials, is the club's first industrial member.

The club members will share the cost of a materials research programme on "warm" superconductors as potential commercial materials.

Dr Ron Sowden, the senior Harwell executive responsible for organising about a score of industrial research consortia, said it also expected to attract several potential UK-based suppliers of superconducting materials and cables.

In the past two weeks Harwell scientists have reproduced a discovery at Kyoto University that nuclear irradiation of ceramic superconducting materials can produce a dramatic effect on superconducting properties.

They exposed the material to neutrons in an experimental reactor at Harwell. "A relatively low dose of neutrons produces a quite spectacular raising of the superconducting temperature", Dr Sowden said.

Harwell also has long experience of ceramic technologies from its development of high-temperature nuclear fuels and ceramic reactor components.

Dr Sowden said the club's research would focus on materials that might be used in superconducting magnets operating at liquid nitrogen or higher temperatures, instead of the liquid helium temperatures – close to absolute zero – needed for superconductors today.

Oxford Instruments was an international pioneer in the development of superconducting magnets, originally to generate very high magnetic fields for physics research, and in the 1980s to generate high fields for nuclear magnetic resonance (NMR) medical scanning and chemical assay.

This year the company has obtained the world's first orders for a superconducting synchrotron, for IBM in the US, and for a superconducting cyclotron, for NKK in Japan, both requiring powerful magnetic fields.

Sir Martin Wood, founder and deputy chairman of Oxford Instruments, said the company had put a big development effort into learning to live with the limitations of low-temperature superconductors, such a leak-free helium cryostat (refrigerator). But he believed "warm" ceramic superconductors could help to cut the cost of high-field NMR magnets.

Sir Martin is chairman of a national committee co-ordinating government support for research and development in superconductivity. One of its tasks is to help select the site for the first University Research Centre, specialising in low-current opportunities for ceramic superconductors, in electronics and sensors, for example.

Professor William Mitchell, chairman of the Science and Engineering Research Council, which will fund this new research centre, and Mr John Fairclough, the Government's chief scientific adviser, both see the new ceramic superconductors as a way of testing the academic community's readiness to collaborate across traditional university boundaries.

London councils face rates inquiry

By Ralph Atkins

DISTRICT AUDITORS, responsible for monitoring the accounts of local councils, are investigating losses arising from late rate-setting in 1985 by three London boroughs.

The Audit Commission, which monitors local government finance, yesterday said auditors' decisions on Camden, Hackney and Islington councils were expected within two or three months.

The commission said that if the councillors were found guilty of wilful misconduct they could face surcharges.

Earlier this week the district auditor in the London borough of Southwark sent notices to 38 former and current councillors about late rate-setting in 1985. Losses of £294,235 are estimated to have been incurred by the council after a decision on the rate was delayed until the end of May.

The councillors – 26 Labour, eight Conservative, three Liberal and one independent – have until February to respond.

If the auditor still believes them guilty of wilful misconduct he has a duty to levy a surcharge. However, the 38 councillors – 16 of whom are still members of the Southwark council – would have the right to appeal.

Under the 1982 Local Government Finance Act, auditors have a statutory duty to take action if they believe losses have been caused by wilful misconduct.

In 1985, Camden delayed rate-setting until June 6, Hackney until May 22 and Islington until May 31.

Nick Garnett on the upbeat mood at the independent steelmakers annual meeting

Private manufacturers forge a bright future

THE CLUB of private-sector UK steelmakers and finishers, the British Independent Steel Producers Association, was treated yesterday to one of the most upbeat presidential addresses for years.

Profits and output of member companies were rising, investment was up and manpower down, Mr David Houghton, managing director of Bridon, the wire rope maker, told Bispa's annual meeting in London. British producers were taking a bigger share of continental markets.

However, the speech by this year's Bispa president came with a sting in the tail. In one of the most scathing attacks on ministers ever delivered by a Bispa member, Mr Houghton said government policy on energy, especially electricity pricing, threatened to ruin the industry's competitive position.

Mr Houghton's address underlined the tremendous strides made by the private sector during the past few years. It also reflected the belief that adverse factors, like a steep rise in energy costs or a slowdown in the UK economy, could quickly hit steelmaking profits.

On the face of it 1987 has been a pretty good year for Britain's private sector steel industry. No-one has been showing the spectacular profits growth that has been the hallmark of the British Steel Corporation's recent performance, but most of Bispa's 55 member companies have been in profit. Domestic and export sales are up by an average 5 per cent and the fearful restructuring and closures of the early 1980s seem a long way away.

MR DAVID HOUGHTON, this year's president of the British Independent Steel Producers Association, strongly criticised the reaction of energy ministers to the fear UK steel and processing industries had expressed about the threat of substantially increased electricity prices.

"Ministers' facile and irrelevant response to our legitimate outrage puts the consuming industry back nearly five years, to an era when the Government knew little and cared less about Continental electricity prices for bulk consumers," he told Bispa's annual meeting.

***If* Bispa members had enjoyed gas supplies at the European average price in 1987, they would have had £10m more to invest.**

UK steel makers faced increases which would seriously damage their business. Bispa members made less than £40m profits from steelmaking and hot rolling last year but the cost of planned electricity price increases would add £12.5m to costs, said Mr Houghton.

***Mr Robert Atkins,* Industry Minister, said at the meeting he sympathised with steelmakers. He said rumours that electricity prices for industry would go up by as much as 25 per cent were not correct.**

Private sector companies account for about 22 per cent of the 17m tonnes of liquid steel made in the UK. They also produce about one third of hot-rolled products and almost all special grade steel for the engineering industry.

However, their performance does vary. Special steel producers like United Engineering Steels (UES) and Glynwed and re-rollers such as Darlington and Simpson seem pretty cheerful about things and bright bar makers have picked up substantially after a poor start to the year.

Wire rope makers, the biggest of which is Bridon, are not having an easy time of it, though, partly because of flat world-wide demand in mining and shipping, only partially offset by buoyancy in construction and bridge-building.

Sheffield Forgemasters, the sole surviving UK manufacturer of large castings and forgings, is in the black after a grim time in the mid-1980s when it racked up losses of £680m but its financial performance is nowhere near satisfactory.

Some restructuring and rationalisation is also still going on. For example, UES announced on Monday the acquisition of FH Lloyd's tube rounds and billet plant in Wednesbury, which has a capacity of 60,000 tonnes per year. Both UES and Sheffield Forgemasters have been shedding substantial amounts of labour during the past two years while Glynwed has been purchasing a number of companies in bright bar and tube.

However, the industry is now relatively stable in marked contrast to the turmoil of the early 1980s. During that period two private sector liquid steel producers, Round Oak and Hadfields, shut down altogether and Duport closed its steel operations.

The main element of the industry's restructuring was the government-inspired Phoenix programme in which much of the overlap between the private sector and BSC was cut out and a number of medium sized joint venture companies with BSC and private sector shareholding formed.

The main Phoenix companies were Allied Steel and Wire, UES, Sheffield Forgemasters and British Bright Bar (BBB).

Of these companies, Allied Steel and Wire, set up in 1981, has shown the biggest turnround. It was sold in October for £181m to a consortium including City institutions and the management of the Cardiff-based rod and wire producer.

Allied made an operating loss of £13.9m on £306m sales in the 18 months to the end of 1982, but an operating profit of £19.9m on £328m sales last year.

Mr Peter Rafter, commercial director at UES, which claims to be Europe's largest producer of engineering steels, said its profits were ahead of projections.

UES started trading in April 1986 and made an undisclosed profit in its first year. The operating profit this year is expected to be more than £30m.

A £65m investment programme centred on a new bloom caster at Rotherham is due to be completed by UES next year for commissioning in 1989.

BBB made a profit of just £0.5m on a turnover of £20m last year but Mr Bryan Atherton, managing director and chief executive, said profits would be better this year.

The first quarter of 1987 was "a positive disaster" for bright bar, Mr Atherton said, but the market has recovered and the order book for next year is firm.

With the future of the European steel quota regime still in doubt, the private sector is always worried about its long-term prospects. At UES for example, Mr Rafter said the company was concerned at the price of feedstock scrap which has risen 60 per cent since April. Its exports to the US are still subject to quota constraints, and there is continuing overcapacity in Europe in its products.

Apart from energy prices the private sector has one Achilles heel. It depends on the domestic market for 80 per cent of sales.

Customs changes may distort monthly trade figures

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE GOVERNMENT said yesterday that administrative changes to customs procedures, due to be introduced in January, may distort its monthly trade figures during the first part of next year.

In a Commons written answer, Mr Alan Clark, Minister for Trade, said the official statistics recording imports and exports may suffer a "temporary drop in quality" as a result of the changes.

The trade figures are among the most closely watched official statistics in financial markets and frequently affect sentiment towards both the exchange rate and borrowing costs.

The recent deterioration in Britain's trade position and the pound's recent gains against the dollar have made the markets particularly sensitive to monthly shifts in the statistics.

From January, existing freight declarations completed by exporters and importers will be replaced by a Single Aministrative Document, which is being introduced simultaneously in all European Community countries. There will also be an extensively revised tariff based on a new harmonised system of commodity classification.

The department believes the trade figures may be affected by the changes, particularly at the level of individual commodities, because of the initial unfamiliarity of businesses with the new documents.

Mr Clark said the Government would, where possible, announce any obvious distortions to the data.

Water cost fears 'exaggerated'

BY RALPH ATKINS

CLAIMS THAT several billion pounds would have to be spent to improve the quality of British water in line with a European Community directive were dismissed as an exaggeration by the Government yesterday.

Discussions are taking place between the Government and the 10 water authorities in England and Wales about capital expenditure required to modernise the water system.

That follows an announcement last week by Mr Nicholas Ridley, Environment Secretary, that water quality standards set by a 1976 EC directive should apply to individual samples and not just an average of three months currently used by water authorities. The effect is to tighten the requirements of water treatment plants and pipes.

The Water Authorities Association, representing the 10 authorities, said the capital spending needed was likely to be substantial and might ultimately be more than £1bn. Privately, some people in the industry speculate that it might cost £6bn.

Capital spending would be needed to modify water treatment plants but the biggest expenditure would be necessary for lining iron mains pipes, which can discolour water.

However, the Department of the Environment said yesterday: "To talk in terms of several billions is an exaggeration of what needs to be done." It pointed out that authorities currently spent only about £1bn a year on capital expenditure.

The EC directive sets target levels for the volume of more than 60 substances present in water - including nitrates, which, it is thought, might be connected with cancer. In August, the EC sent warning letters to seven countries, including the UK, threatening legal action for falling short of the standards.

The Department of the Environment said the effect of tightening the regulations would be to improve the appearance of water and there was no question of UK water being unhealthy. It added that the measure was unlikely to have a big impact on improvement work carried out by authorities.

It said: "The water authorities already have a large substantial improvement programme. It may be a question of speeding up this work in order to meet the directive."

Arts deal for Sky Channel

By Raymond Snoddy

MR RUPERT MURDOCH'S Sky Channel will carry three hours of arts programming a day from the beginning of next month.

Sky, the general entertainment satellite channel now available to 10.8m homes throughout Europe, will add Art Channel to its schedules after its normal midnight closedown.

The deal could be a breakthrough for the arts channel, founded by Mr John Griffiths, a former president of the Liberal Party.

Although backed by organisations such as Equity and Law, Commercial Union, Television South and W.H. Smith, it has had trouble attracting both an audience and financing.

The hope is that Sky will make the channel available to much larger audiences although, because of the time of transmission, it will be mainly for video recording.

The Sky sales team will sell advertising and try to raise sponsorship money for the arts channel, which will remain a separate company.

Mr Murdoch's News International will, however, have an option to take up to 30 per cent equity in Art Channel.

The deal and last week's announcement that News International is planning a European satellite sports channel in a 50-50 joint venture with around a dozen members of the European Broadcasting Union is a further indication that Mr Murdoch remains committed to satellite broadcasting in Europe, despite losses so far.

● *Mr Gus Macdonald,* director of programmes at Scottish Television, and Mr Alan Boyd, director of programmes at Television South, have been appointed to an enlarged ITV programme planning committee.

The appointments are part of a plan to give regional ITV companies a greater say in how ITV is run. Until now the network has been dominated by the big five production companies.

Woolwich urges changes in building society law

BY RICHARD WATERS

THE BUILDING Societies Act of last year must be amended to ensure the long-term survival of societies, Mr Donald Kirkham, chief executive of the Woolwich, said yesterday when announcing the society's annual results.

By limiting societies' unsecured lending to 10 per cent of total assets, the act ties societies' hands behind their backs, he said. "We are dependent on the continued well-being of the housing market. But what if the collapse of confidence in the stock market spills over into the housing market?"

Unsecured loans should be allowed to account for up to 49 per cent of assets, he said. Failure to lift the restrictions could force societies to abandon their mutual status in favour of becoming public companies, an option open to them from early next year. As companies, they would come under the Banking Act rather than the building societies' legislation.

Pre-tax profits at the Woolwich slipped 4 per cent to £92.4m in the year to September 30. This was due to lower profits from investment in government securities, which fell by £20m to about £8.5m.

The Woolwich's reserves rose to £391m, or 4.22 per cent of total assets. This figure did not include £57m of overpaid tax the society won back from the Inland Revenue in a legal action, because the Revenue had appealed against the decision.

£40m waterfront plan unveiled for Hartlepool

BY WILLIAM COCHRANE

TEESSIDE came to London yesterday to put a £40m marina, residential and leisure project, for the Hartlepool waterfront, before developers and investors.

Mr Nicholas Ridley, Environment Secretary, introduced the project. He said the success of the Teesside Development Corporation, established in May to regenerate nearly 19 square miles of land, had encouraged him in the launch on Monday of three "mini" urban development corporations for Bristol, Leeds and central Manchester.

The Hartlepool project, offered in partnership with the Tees and Hartlepool Port Authority, aims to create the most important water-based leisure attraction on the north-east coast.

The scheme, on the north of the Tees estuary, aims to build on an existing marina to provide up to 1,000 berths. It would add more leisure and entertainment facilities, housing and commercial activities and establish a maritime heritage project of "international calibre."

Mr Norman said the corporation would not be imposing a detailed plan upon potential developers. "We want to attract creative developers, those we can work with," he said. "At that stage, with those developers, we will work out financial deals."

He told developers: "Prove your flair and we'll sort out the money."

Last September, the corporation – the biggest of the six urban development corporations established so far – and the port authority formed a partnership for a £10m project, involving a consortium of companies, for ocean bed mineral extraction and the redevelopment of the former Smiths Dock shipyard. This is expected to create 1,000 jobs over five years.

November saw an £80m project for the conversion of the derelict Stockton racecourse, which closed six years ago, into a retail and leisure centre to be built by Brookmount and to employ 2,000 people.

The Hartlepool project coincides with a new research report on the north of England, introduced in Manchester last night, which identifies existing success stories for 10 towns in the north.

SE Associates, the Reading-based consultancy, commissioned by property agent Derrick, Wade & Waters, says the ten towns score particularly high on a "quality of life" index.

They have designed the index to include social, educational and housing factors as well as the more conventional economic indicators.

The towns are Congleton, Knutsford, Beverley, Thirsk, Lytham St Annes, Clitheroe, Harrogate, Morpeth, Hexham and Kendal.

More advance plants to be built soon in Ulster

BY OUR BELFAST CORRESPONDENT

THE INDUSTRIAL Development Board in Northern Ireland is to build four advance factories next year costing about £2m on existing industrial estates in Armagh, Ballymena, Craigavon and Dungannon, with a total floor space of 6,400 square metres, it announced yesterday.

Earlier this year, the board completed two other 1500-sq-metre advance factories in Belfast and Londonderry.

Mr John McAllister, the board's chief executive, said those factories and the units announced yesterday represented a new IDB building programme and underlined its determination to ensure that Northern Ireland had up-to-date provision able to compete with the best in the world.

Pointing out that successful companies were becoming increasingly aware of the importance of image, Mr McAllister said a modern, high-quality factory in an attractive, landscaped environment was seen as essential by many companies.

The board is Northern Ireland's biggest industrial landlord, owning 55 estates spread over 800 acres with roads and services installed and ready for customers.

Alan Pike on a seasonal campaign to cut drink-related accidents

Fatal dangers of the festive spirit

UNIVERSITY COLLEGE Hospital, London, which was in the frontline of treating victims during last month's King's Cross tube fire, was the venue for the launch yesterday of the Government's Christmas campaign against drinking and driving.

As Mr Peter Bottomley, Roads Minister, pointed out, drinking and driving claims as many lives as the King's Cross tragedy every fortnight of the year.

One road death in four last year was drink-related. At least 1,400 people died in accidents in which the driver, rider or pedestrian was over the legal alcohol limit.

Drink-related accidents reach their peak at weekends. In the notorious accident periods late on Friday and Saturday nights, two-thirds of drivers and riders killed have alcohol levels higher than the legal limit. The problem is at its worst at certain times of year. Christmas is one of these times, although by no means the only one, and the Government's drinking and driving campaign now reflects this by running throughout the year.

This year, the Christmas campaign coincides with mounting clamour from organisations representing relatives of drink-driving accident victims, MPs and senior police officers for tougher action against those who drink and drive.

Mr Roland Boyes, a Labour MP, moved a 10-Minute bill in the Commons last month which would have authorised police forces to carry out random breath tests. The Government made it clear it does not intend to introduce random tests at present but Mr Boyes and others believe they have public opinion on their side.

There are two arguments against random tests. One is that they would be a less productive use of police resources than tests directed at motorists who have committed moving traffic offences. The other is the civil liberties argument that it is unacceptable, however good the cause, to give the police powers to stop and breath-test people who are not even suspected of an offence.

Alan Harper

Safety thirst: Peter Bottomley samples alcohol-free wine

"I believe the civil liberties objection has to be set against the loss of civil liberties of those who are killed because of drunken drivers," Mr Boyes said. "People are far more likely to die as a result of drinking and driving than other forms of violence and society has to take whatever steps are available to prevent this."

Some police forces come relatively close to random testing by using their general powers to stop vehicles and then breath-testing drivers if they are suspected of having been drinking. Greater Manchester Police warned yesterday that it would be making full use of the existing extensive powers to stop vehicles this Christmas and the Sussex force already does so.

Mr John Over, chief constable of Gwent and chairman of the Association of Chief Police Officers traffic committee, yesterday argued that the courts must play a stronger part in eliminating drinking and driving by imposing stiffer penalties. He says research had failed to discover a single case of the maximum penalty – six months imprisonment or a £2,000 fine – being imposed.

Fines average £174, although the long-term cost to a convicted motorist will be much more than this. Once back on the road, a driver can expect to pay £2,500 in extra insurance premiums over the next 10 years. The cost to society of fatal road accidents is around £400m a year and the problem puts heavy pressure on the resources of hospitals and the emergency services.

In the Government's view, drinking and driving has to be tackled through a continuing education and public awareness campaign. Newspaper, television and radio advertising will be stepped up this month, and the public is being urged to plan for Christmas in three extra ways:

- Plan in advance who will be driving if you are in a group.
- Plan a taxi or public transport home if there is not a sober driver in the party.
- Plan to have a good supply of non-alcoholic or low-alcohol drinks if you are entertaining.

Ministers are heartened by the fact that the drinks industry has begun playing an active part in discouraging the drunken driver. The Brewers Society is running its own Wheelwatch promotion and a major brewer, Courage, is about to launch a television campaign against drinking and driving.

Conviction statistics show the typical drunken driver as young and male but this may not present a complete picture. Mr Bert Cunningham, Association of Chief Police Officers traffic spokesman in Scotland, says police attention is "quite easily focused on the young driver in the old banger." He suspects that officers are often less successful in spotting executive and middle-class drunken drivers in smart cars.

There is general agreement that education, a good detection rate and adequate penalties all have a part to play in reducing the drink-driving menace. However, there remains the problem of drivers who, their confidence fortified by the effects of alcohol, believe they are within the legal limit when they are well outside it.

A straightforward ban on drinking any amount of alcohol when driving would solve this problem. Mr Boyes says he would favour such a measure, and so would large numbers of survivors of drink-driving accidents and the relatives of victims.

This possibility has not yet reached the political agenda but by the time Christmas is over there will be a large number of families in Britain wishing that it had. If last year's performance is repeated, 1,500 people will be killed or injured this month as a result of drinking and driving.

Ordnance Survey 'could increase profits'

BY RALPH ATKINS

ORDNANCE SURVEY, the official map maker, should concentrate more on maximising revenue from commercial operations, said a report published yesterday.

The National Audit Office, the efficiency watchdog for government departments, said there was scope for expanding sales and increasing profits on some Ordnance Survey products. More attention should be given to justifying its government subsidy.

Ordnance Survey is a government department providing specialist map-making services for public and private sector users. It employs nearly 3,000 people and in 1986-87 received a grant of £26.9m from the Government.

The report points to "considerable underlying strengths" including high-quality products, staff commitment and strong day-to-day management.

However, it says there is a need to develop strategic planning and review arrangements to allow better organisation and help maximise revenue.

"The overall subsidy effect, particularly in the years before 1982-83, has encouraged users to expect high quality products at prices which have not reflected full economic costs."

The department is required by 1989-90 to recover 40 per cent of costs in its core activities including 1:25,000 and 1:50,000 scale maps and work vital to the national interest such as large-scale mapping.

Objectives and management of Ordnance Survey. Report by the Comptroller and Auditor General. HMSO. £3.50.

Labour spokesman fears abuse in flat renting

FINANCIAL TIMES REPORTER

THE RETURN of Rachman-style landlords and soaring private sector rents under the Government's new housing proposals was forecast yesterday.

Mr Clive Soley, Labour's housing spokesman, warned the National Federation of Housing Associations' seminar in London that the Housing Bill which aims to free tenants from local authority control and enhance the role of the Housing Associations would not work.

Housing associations were originally formed on a charitable basis to provide homes for low-income families. But Mr Soley warned that government moves to encourage them to go up-market, using private capital to build more homes, would boost rents to unacceptable levels.

He said housing associations could not expect to be baled out by a future Labour government. The Government should increase security of tenure and strengthen the bill's provisions on tenant harassment.

"The trouble with the Conservative Government approach in the bill is that it will provide an incentive to people who choose to operate in the way Rachman did," he said.

But Mrs Marion Roe, Parliamentary Under Secretary of State at the Department of the Environment, rejected Mr Soley's claims. She told the seminar: "The impression still seems to linger that in the bill we are seeking to recreate the 1957 Rent Act, and will open the door to a revival of Rachmanism.

"Certainly we share the honourable intentions of the authors of that Rent Act. But we trust we have learned from their mistakes."

She assured the seminar that tenant security would be just as great as for those currently living in housing association properties.

All tenants would benefit from a strengthening of their existing protection against harassment and illegal eviction, she said. The Government was creating a climate in which it would be infinitely harder for a Rachman to thrive, and infinitely easier for a private landlord to turn an honest penny, she added.

New chief executive for Thomas Cook

THE THOMAS COOK GROUP has appointed **Mr Bernard Norman** as deputy chairman, succeeding **Mr Michael Brockson**, who will be retiring on December 31. **Mr Peter Middleton** becomes a director of the Thomas Cook Group, and group chief executive. He remains managing director of Thomas Cook Travellers Cheques. **Mr John McEwan**, head of UK Travel, is made a director and joins the group board. **Miss Rosemary Berry**, director of personnel, Thomas Cook Travel, is named head of group personnel.

*

DAVID S.SMITH (HOLDINGS) has appointed **Mr John Bence** as an executive director of the group and as managing director of its newly-created packaging division. He was managing director of U.K. Corrugated.

*

Mr Alan Williamson, sales director of Primesight Aviation Media, Primesight Sign Technology, and Primesight In-Flight, becomes managing director of PRIMESIGHT'S international division from January 1. He succeeds **Mr Roger Davidson** who will retire in April next year, but who remains deputy chairman of the three companies until then.

*

Air Marshal Sir Peter Horsley has been appointed chairman of M L HOLDINGS from January 1. He has been on the board since 1975, and succeeds **Mr Ralph Price** who retires on December 31.

*

Mr Kris Tamaki has been appointed president and chief executive officer of MAXWELL COMMUNICATION CORPORATION ASIA-PACIFIC from January 1. He will be based in Tokyo. He was president of Computerland Japan.

*

Mr Walter A. Gubert has been appointed deputy chairman and managing director of MORGAN GUARANTY, London; **Mr Joel I. Cohen** becomes managing director - sales; **Mr Joseph P. Cook**, managing director - syndicate; **Mr Joseph P. MacHale**, managing director - capital markets; and **Mr Hendrik G. van Riel**, managing director - trading.

*

Mr Terry Robinson has been appointed managing director of TRANSFLEET SERVICES. He was managing director of Harvey Plant, also a joint venture between Lex Service and Lombard North Central. His appointment follows **Mr Mike Noel's** move to head Lex's commercial vehicle distribution business.

*

Mr Peter Stringer has been appointed managing director of STEER HIRE, plant hire subsidiary of the Bardon Group. **Mr Fred Wapples** has become chairman. Mr Stringer was a group executive of the BBA Group.

*

Mr Tony Kulp has been appointed managing director of HARDANGER (SOUTHERN), a new subsidiary of Hardanger Properties. He was a partner with Edward Erdman.

*

Mr Tony Lazzerini has been appointed managing director of TRANSDATA-KTS. He was marketing director of NCR Europe's independent marketing division.

CONTRACTS

Itemised billing for BT

British Telecom has placed an order for a further four ICL Series 39 Level 80 mainframe systems as part of a plan to introduce an itemised billing service from January, starting with the London area.

These information processing systems, worth £11.2m, will complement two Series 39 Level 80 systems already installed at British Telecom's computer centres at Kensington and St Albans and will replace three ICL 2988 systems.

It is planned that the new systems will provide computing resources for London District.

Trident data recorders

THORN EMI DATATECH has supplied the Trident missile project with three high-density digital data recording systems (HDRS) forming part of orders worth more than a million dollars. The recorders are being used to test the electronics of the second version of Trident, also known as D5.

Thorn EMI in Atlanta, Georgia, US, has supplied Lockheed-Missles and Space Co Inc, the prime contractor for Trident, with an HDRS in a $585,000 contract. The company has also won a $598,000 order from Control Data Corporation, sub-contractors to Lockheed, for two other recorders of this type.

HDRS is an integrated systematic approach to high-density digital recording. It combines data-packing density capabilities with auto-ranging constant density recording techniques to produce optimal tape use and economy - up to 50 per cent more data per tape and greatly improved cross play.

HDRS incorporates an advanced menu-driven control system that allows the user to pre-determine up to nine sets of records and reproduce configurations selectable locally and under remote control.

First steps in the technology of persuasion

BY MICHAEL DIXON

"I MISSED my train this *morning*," *Ken Smart said. The* other six of us in the room just eyed him in silence until he shuffled in his chair and said: "I missed my train this morning." We continued staring silently for several more seconds. Where*upon Ken shuffled again and* said: "I missed my train this morning."

A casual observer of the scene might well have concluded that either the strains of rail travel were beginning to prey on *Mr* Smart's mind, or his audience were stone deaf, or both. The truth was none of them.

Of the seven people at the seminar in London, Ken and four others were being introduced to a method for dealing with fellow human beings which has the lumpish title of Neuro-Linguistic Programming. The others, David Gaster and Roy Johnson of the Performance and Communication Enterprises consultancy, were doing the introducing.

Despite its name and American origins, the NLP method seems to be fast gaining attention in various quarters this side of the Atlantic. I was first told about of it by a teacher of autistic children who lives in France. The other beginners had all heard of it in connection with business, one of them during a rivetting three-hour lecture by a British tycoon who credited several of his millions to NLP.

*The nub of the method is illus*trated by the seminar's opening session in which Mr Smart thrice enunciated his travel-to-work problem. The beginners took *turns at trying to* use precisely the same words to convey three different messages, ringing the changes of meaning by altering their postures and facial expressions. The listeners then reported what, if anything, they *had understood.*

The object was simply to show how important it is to use the eyes as well as the ears very sharply when in conversation: a lesson which, although it is well known to everyone, very few of us seem to act upon. But *NLP* purports to carry the use of sharp observation a great deal farther. For it is claimed that experts in the method can mostly get pretty well anyone they talk with to do what they want done.

That is not to say NLP has pretensions to being scientific. While its United States originators - linguist John Grinder and mathematician Richard Bandler - make much play with recent research on the brain, they admit they don't really know why the method works. All they assert is that it does so, and is therefore yet another example of a piece of technology which can be applied effectively although its principles are not yet explained.

Their starting point is the premise that, when people are making decisions, they habitually and for the most part unconsciously use their senses in certain particular strategic ways. The next claim is that a trained observer can find out which of the strategies other folk are *using, and* apply the discovery so as to influence what they decide.

The tell-tale signs are said to be many and varied, and I have room here for only a few. Anyone wishing to know more should contact Mr Johnson or Mr *Gaster* at Cedar Court, 9-11 Fairmile, Henley-on-Thames, Oxon RG9 2JR; telephone 0491 579600, telex 846068. Moreover my small sample relates only to people who are normally right-handed; left-handers tend to operate in different ways.

NLP has it that when people are mulling something over, they almost all use no fewer than three of their senses. They are sight, hearing and feeling. Smell and taste, although powerful stimulants of emotion, are thought not to play much part in the process of working out what to do.

Most important

The most important ways in which decision-makers use sight, hearing and feeling are internal. The things seen are largely not there before them, but pictured in the mind's eye. Similarly, the most decisive hearing is done in the mind's ear, and the feeling in the gut. Having noted that, let's now suppose we are putting a proposal to a right-handed man.

If in the first stage of listening to us he looks upwards, tenses his shoulders and breathes shallowly high in the chest, the probability is that he is *seeing* internally. When his gaze is directed *up to his left, he is likely to be* remembering some image he has had before. When his eyes are turned up to his right, he is constructing some new mental picture in response to the message we are putting across.

In the second stage, however, he changes from looking upwards to a level gaze, sets his shoulders back a bit and begins breathing evenly from the middle of his stomach. In that case, he has switched to using his mind's *ear*. Again, if his eyes are directed horizontally to his left, he is recalling sounds he has heard in past. If he looks to his right, he is mentally putting some new idea into words.

Thirdly, he shifts his gaze downwards to *his* left and puts his hand to his chin or some other place near his mouth. The likelihood is that he is now having a talk with himself.

Then follows a fourth stage in which he looks down to his right, relaxes his shoulders and breathes low in the belly. That signifies he is checking his impressions against his gut *feeling* for what is acceptable and what not. Should he then look up at us with an air of anything less than conviction, we can take it for granted that our proposal has failed the test.

If so, ELP's originators say, it is our fault for failing to make good use of the information conveyed by his behaviour as we were presenting it.

Our first mistake, for example, could have been to feed him with wordy arguments of logical *kind in the early stage* when he was trying to form visual images of our ideas. We would have done better to present them to him in mental pictures. In the second and third stages, while he was using the hearing strategy, we *might* have been trying to appeal to his feelings instead of asking how the scheme "sounded" to him so far. During the fourth and finally decisive stage, when he was consulting his navel, we were possibly *urging him to see our design as* a whole. We should have been inquiring how it "felt".

For the prime principle behind the method is that the best way of making a favourable impression on our fellow humans is to adopt the same strategy in presenting our ideas as the other person at any particular time is using in response. The prime question, of course, is does it work?

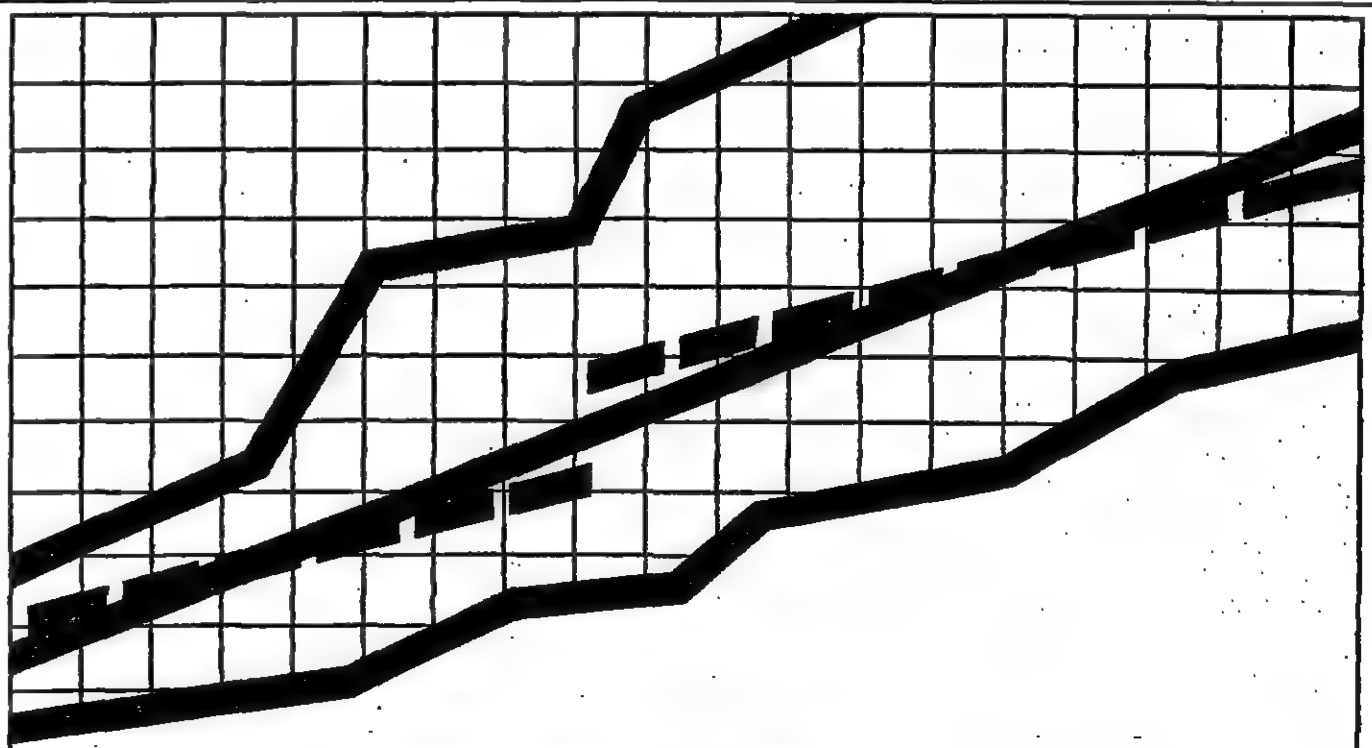
Well, in addition to all the hearsay evidence in its support, since I went to the seminar I have met three more people at various stages of skill in NLP who uniformly believe it is the goods.

Moreover even I, with only the most rudimentary grasp of the method, am persuaded that it definitely can heighten my appreciation of what's going on in discussions. Unfortunately it has not yet enabled me to wean other people away from their perverse habit of doing the opposite of anything I suggest. One reason may be that, although I begin conversations intending to apply NLP techniques, I very quickly become immersed in my own reactions to what is being said and the intention goes clean out of my head. So plainly, if the method is ever to work as claimed, it takes much intellectual effort as well as discipline to learn.

But given that anyone we're likely to deal with has become expert in its uses, the rest of us would surely do well to do the same. For despite the originators' *concentration* on the beneficial applications of NLP there is no doubt that it could be used malevolently, and *once* an effective technology is in being it cannot be un-invented or fully suppressed.

My only comfort is that *how*ever hard it might be for me to learn it, it is clearly going to be still harder for others. A case in point is Ken Smart who, although he tried to convey three different messages by his *three enunciations of his* travel problem, succeeded in communicating just one: namely, that he had missed his train. The reason was that he both looked and sounded very much the same every time he spoke. But that could be an advantage in his job. He is his company's chief buyer of costly capital equipment.

The rest of us beginners did a good deal better. For instance, everybody instantly recognised the portent - first defiance, then hope, then terror - of the Jobs column's three repetitions of: "I'm not scared of growing old."



FT LAW REPORTS

Mariner's estate can sue for defective ship

COLTMAN AND ANOTHER v BIBBY TANKERS LTD

House of Lords (Lord Keith of Kinkel, Lord Roskill, Lord Griffiths, Lord Oliver of Aylmerton and Lord Goff of Chieveley): December 3 1987

A SHIP is "equipment" provided by an employer shipowner for the purpose of his business; and accordingly, where a crew member is lost at sea due to the ship's faulty construction, his estate can sue the shipowner in that, although the loss is attributable to the shipbuilder, it is also statutorily deemed to be attributable to the shipowner's negligence in providing defective equipment.

The House of Lords so held when allowing an appeal by the personal representatives of Mr Leo Coltman, who died on the Derbyshire, from a Court of Appeal decision [*1987*] *1 FTLR 353* (Lord Justice Lloyd dissenting), on a preliminary issue in a negligence claim against shipowner, Bibby Tankers Ltd. The Court of Appeal by majority overturned Mr Justice Sheen's decision [*1986*] *2 FTLR 96* that a ship was "equipment" for the purpose of a negligence claim against an employer.

Section 1 of the Employer's Liability (Defective Equipment) Act 1969 provides: "(1) Where ... (a) an employee suffers personal injury in the course of his *employment in consequence of* a defect in equipment provided by his employer *for the purposes of* the employer's business, and (b) the defect is attributable ... to the *fault of* a third party ... the injury shall be deemed to be also attributable to negligence on the part of the employer ... (3) In this section - 'equipment' includes any plant and machinery, vehicle, aircraft and clothing".

LORD OLIVER said that Mr Coltman was employed as third engineer aboard the Derbyshire, a 90,000-ton vessel which sank off the coast of Japan on September 9 1980, with the loss of all hands.

Mr Coltman's personal representatives claimed damages for negligence against the shipowner. *The particulars of negligence* included allegations of defective construction and design of the vessel, rendering it unseaworthy.

It was pleaded that the defects, said to be attributable to the manufacturers of the vessel, were *defects in "equipment" provided* by the shipowner within the meaning of section 1 of the Employer's Liability (Defective Equipment) Act 1969, and were *thus deemed to be attributable to* the shipowner's negligence.

The shipowner denied that the vessel constituted "equipment" within the meaning of the Act. The Admiralty registrar ordered determination as a preliminary *point of the question whether* the ship was equipment. Mr Justice Sheen answered in the affirmative. The Court of Appeal (Lord Justice Lloyd dissenting) declared the vessel was *not* equipment.

The 1969 Act was introduced with a view to rectifying possible hardship to an employee who was required to work with equipment by the employer, and *who was injured as a result of* failure in design or manufacture.

Section 1(1) of the Act provided that injury caused by defective "equipment" was *deemed to be attributable to the* employer's negligence.

In the Court of Appeal, Lord Justice O'Connor expressed the view that "equipment", in its *natural meaning, denoted something* ancillary to something else - machinery attached to a ship would be equipment, because it would be ancillary to the main *object, the vessel, but* the word was inappropriate to describe the vessel itself.

There was no more essential *equipment for the setting up and* carrying on of a shipowner's business than the ship or ships with which the business was carried on.

That *involved no misuse of* language. As Lord Justice Lloyd observed in his dissenting judgment, one would talk naturally of a fleet being "equipped" with battleships, cruisers and destroyers; or of the "equipment" of an expedition as including supply ships.

A shipowner's fleet of ships was properly described as the equipment of his business. They were the tools of his trade.

It was said that "equipment" *was to be distinguished from the* factory or workplace in which tools or machinery were provided, and that an ocean-going vessel of the size of the Derbyshire was akin to a factory in the sense that it provided the accommodation in which the employee worked.

No one would regard the *power* boat of a water-skiing school, or a pleasure launch on the Thames, as in the slightest degree akin to real estate, or as being anything other than a chattel employed in a business.

Such a vessel would be comprehended in the term "equipment of the business" even in the most everyday use of language. There was no justification for excluding a vessel by reason of its size and of its necessarily providing accommodation for the crew.

It was argued that subsection (1) had to be read in the context *of the Act*, including subsection (3) which defined "equipment" to include "plant and machinery, vehicles, aircraft and clothing". Was it conceivable, it was asked, that the *draftsman* should have specifically included vehicles and aircraft, but omitted vessels, if such omission were not intentional?

Deliberate omission of vessel from subsection (3), it was said, demonstrated that "equipment" was used in subsection (1)(a) in a restricted sense.

That was not accepted. It was clear, as was pointed out by Lord Justice Lloyd, that "includes" in subsection (3) could not be construed as "means and includes" so as to confine "equipment" to the specified exemplars.

Subsection (3) could not be used to cut down the meaning of *"equipment". The definition was* a clarifying one, not an enlarging one. Why the draftsman felt it necessary to clarify in that way was a matter for speculation. *It was certainly curious* that, having referred specifically to means of transport, he should have omitted to refer in terms to water transport.

"Plant and machinery" clearly included any machinery installed in or affixed to a ship in the absence of some compelling context to the contrary. Exclusion of the ship itself from the definition of "equipment" produced the absurd position that the employer was liable for *injury caused by defective* machinery on or in the ship, but not for injury caused by anything which would properly be described as constituting the ship itself, ie the hull or part of *the hull*.

There simply was no context in the Act which enabled one to read "equipment" as including the ship's winches, derricks, *generators, pumps, engine-room* plant, steering gear and so on, but as excluding the structure of the ship itself.

The alternative approach of treating *all ships and all their* gear machinery and accoutrements as *sub silentio* excluded from the operation of the Act raised equal difficulty.

It was almost unarguable that "equipment" did not include at least some vessels. If so, where was the line to be drawn?

It could not be drawn simply by reference to *size*, as the Court of Appeal majority appeared to have concluded. There was no logic in such a criterion, nor any functional difference between vessels of different types, which enabled a line to be sensibly drawn.

The purpose of the Act was *manifestly* to saddle the employer with liability for defective plant of every sort with *which* an employee was compelled to work. There was no ground for excluding particular types of chattel merely on the ground of their size or the *element on* which they were designed to operate.

Lord Keith, Lord Roskill and Lord Griffiths agreed.

LORD GOFF, also agreeing, said that *ships or vessels might* vary enormously in character and size, from the Trinity House launch or a speedboat, to a supertanker or bulk carrier. It was *difficult to imagine* that small craft should be excluded from "equipment".

No sensible distinction could be drawn between small and large vessels for present purposes. Moreover, the distinction between the equipment on a ship and its structure was not only difficult to draw in practice, but was artificial in the extreme.

The appeal was allowed.

For the personal representatives: Geoffrey Brice QC and Belinda Bucknall (Evill & Coleman).

For the shipowners: Kenneth Rokison QC and Robin Hay (Holman Fenwick & Willan).

By Rachel Davies
Barrister

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CITY **£40,000-£50,000 + BONUS**

MAJOR INDEPENDENT FUND MANAGEMENT GROUP

We invite applications from candidates aged 27-35 who have sound analytical training and a minimum of 2 years' experience at Assistant Fund Manager level in European Equities. Responsibilities will cover management of a number of European Equity funds, involving close liaison with brokers. Substantial autonomy will be vested in the successful applicant and some European travel will be necessary. The ability to think creatively, seek out new investment opportunities and thereby make a significant contribution to the investment performance is key. Initial remuneration negotiable £40,000-£50,000 + bonus, car, non-contributory pension, free life assurance, free family BUPA and assistance with relocation expenses if necessary. Applications in writing or by **telephone on 01-638 0680**, in strict confidence under reference EEFM4565/FT to the Managing Director: CJA

Heading a qualified professional team, opportunity to obtain wide-ranging high level international experience with prospects also to embark on career in General Management.

SOLICITOR — MANAGER OF LEGAL DEPARTMENT

ALPS

HONG KONG **£40,000-£43,000 + BENEFITS (TAX 17%)**

MAJOR DIVERSIFIED INTERNATIONAL GROUP — ASSETS EXCEED £2 BILLION

For this new appointment, we seek Law graduates, admitted Solicitors, aged from 32. We require a minimum of 4 years post-qualification experience in the company/commercial field, handling major transactions for substantial listed companies. This will have been gained with a leading professional firm or as a senior member of the legal department of a large international group. Reporting to the Group General Counsel, the successful candidate will manage a team of 4 in-house lawyers dealing with a spread of commercial issues in support of Asian and other global operations. There will be direct responsibility for key legal projects and for the implementation of systems to co-ordinate and control internal legal processes and liaison with external professional advisers. A significant input on strategic legal planning will be expected and some overseas travel is involved. Essential qualities are commerical acumen, a talent for problem solving and the ability to *contribute to the overall progress of this group. Initial remuneration, by way of high basic salary and performance related* bonus, negotiable £40,000-£43,000 (maximum tax 17%), contributory pension, provident fund, life assurance, furnished accommodation, free family medical cover, annual leave with passages, plus children's education and travel allowances. **For this appointment we are keen to hear from candidates in strict confidence by telephone on 01-638 2185 or** 01-638 4313 or alternatively applications in writing under reference MLD148/FT to the Managing Director: ALPS.

Scope exists to develop and head up specialist investment management group in 2-3 years.

PORTFOLIO MANAGER — GROSS FUNDS

CJA

CITY **£30,000-£35,000 + PACKAGE**

GROWING INVESTMENT MANAGEMENT ARM OF PROMINENT STOCKBROKER MEMBER OF LEADING INTERNATIONAL FINANCIAL SERVICES ORGANISATION

To further strengthen this successful and expanding investment management team, we invite applications from candidates, aged 27-32, keen to expand their investment management horizons and experience. We require a background in analysis of international equities and fixed interest markets followed by not less than 2 years in control of substantial private client portfolios utilising the latest techniques. Reporting to the Divisional Director, the successful candidate will be responsible for all aspects of the management of large mixed funds. This will include on-going liaison at the highest level with a diverse range of important bodies; the successful implementation of portfolio strategies through effective day to day investment decisions based on personal assessment of research material, together with funds performance reporting and administration supervision. Key to the success of this appointment are an analytical and agile mind, presentation skills and the ability to meet objectives with the minimum of direction. Initial salary negotiable £30,000-£35,000 plus excellent package. Applications in writing **or by telephone on 01-588 5407** in strict confidence under reference PMGF4567/FT to the Managing Director:- CJA

3 LONDON WALL BUILDINGS, LONDON WALL, LONDON, EC2M 5PU. Telephone: 01-588 3588 or 01-588 3576. Telex: 887374. Fax: 01-256 8501
ORGANISATIONS REQUIRING ASSISTANCE ON RECRUITMENT — PLEASE TELEPHONE 01-628 7508

MANAGER, INFORMATION SYSTEMS. **£70,000 +**

Jeddah based bank requires 35-45 year old graduate with extensive data processing experience within a commercial bank using IBM hardware and software. International experience, French and/or Arabic a plus. Proven managerial ability, he will organise, restructure and bring the department to a high level of quality by instituting standards, procedures and quality assurance and control systems. He will also evaluate new technologies in terms of potential advantages for the Bank.

Excellent salary plus free accommodation, medical care, 48 days annual leave with return air fare plus other benefits. Single or married status, initially for a two year period.

Please contact Shelagh Arneil on 01-583-1661 or send CV to her in confidence:

asb Recruitment
50 Fleet Street, London, EC4Y 1BE

OPTION MARKET MAKER

Fast expanding options company require young and ambitious trainees. No experience necessary. 'A' level standards required. Aged 18-23,

Write Box A0761,
Financial Times, 10 Cannon Street, London, EC4P 4BY

DO YOU FEEL LIKE JONAH INSIDE THE WHALE?

We are a new firm of stockbrokers, totally independent of any bank or institution, rapidly expanding our private client business.
If you have an established business base and want to change your environment, we would like to hear from you on **01-626 2366** now.

One of the world's most successful banks wishes to appoint

CLIENT EXECUTIVES

£25-35,000 + Bonus + Car + Benefits

Our client is a major US bank, one of the largest financial institutions in the world. It occupies an enviable position in the UK as a market leader in the provision of a wide range of financial transactions. Its rate of expansion has created a number of marketing roles, working with major blue chip companies on the following products:

SECURITIZATION & ASSET SALES ✻ CAPITAL MARKETS ✻ CREDIT FACILITIES
CORPORATE FINANCE ✻ TREASURY & RISK MANAGEMENT PRODUCTS

These appointments are viewed as key developmental positions for senior client management. They should be of interest to 'high-achiever' marketing officers, aged in their mid-late 20s, who are at present working in a sophisticated banking environment. *The accent in this organization is on innovation and flexibility, and should provide a welcome contrast to many of the large banks within the city.*

For further details please contact **Andrew Stewart on 01-248 3653** during office hours or on **01-385 9616** evenings/weekends or send a C.V. to the address below. All applications are treated in the strictest confidence.

60, Cheapside, London EC2V 6AX **BBM** ASSOCIATES Telephone: 01-248 3653

CONSULTANTS IN RECRUITMENT

CROWN FINANCIAL MANAGEMENT

UNIT TRUST PROFESSIONALS:

Crown's healthy expansion opens up some exciting opportunities

At a time when many financial companies are shedding employees, Crown Financial Management is seeking to add many new staff, at all levels, to further its planned expansion.

The opportunities occur at the Head Office of Crown Unit Trust Services in Woking with further exciting developments planned for 1988 and beyond.

Although primarily concerned with unit trust development, the company will also be examining the opportunities opened up by the new Financial Services Act.

All the salary packages offered are negotiable. But they will all be very competitive and represent our determination to recruit top quality staff at all levels.

Unit Trust Administrators

Within the Unit Trust dealing and administration department, Crown are looking for personnel at all levels to specialise in and develop the functions associated with computer dealing, registration and administration including Trust and Financial accounting.

Pensions Marketing

This is a new position which has been created to develop the potential within the proposed legislation for the private sector pensions market and also to exploit opportunities that are currently within the established corporate market place.

You must be able to demonstrate a successful track record of selling to Investment Managers, Pension Trustees and Actuaries specialising in the corporate pensions market. Essential qualities include self-motivation and the ability to be highly resourceful.

The successful candidate will occupy a pioneering role within the company offering enormous scope.

Marketing Services

The candidates will be responsible for contributing to the advertising and marketing strategy for Crown Unit Trust Services. These responsibilities will include all aspects of brochure design and production including Managers reports, production of general unit trust marketing material, maintaining and updating the Broker list, advertising strategy and production of advertisements. The candidates will also need to research into the most effective marketing vehicles for a unit trust company.

Advisory Services — Unit Trusts

Working within the advisory services department, the candidates will be responsible for answering all customer and intermediary queries as well as providing advice and information on portfolio structuring and unit trust investment performance. The candidates will require sound knowledge of international markets and economic indicators as well as political situations and the implications these have for investment performance. Therefore close liaison with Fund Managers will be necessary. The candidates will *also be required to undertake competitor analysis* within the Unit Trust industry and impart this information to all Crown's distribution arms.

Investment Marketing — Life and Pension Funds

The candidates will be responsible for handling queries from Brokers & Individuals regarding Crown Life's investment strategy. This will involve producing historical performance figures relating to Crown's Life and Pension Funds versus competitors and various market indices. It will also include organising presentations to Broker Branches and Brokers and producing investment material for publication.

A basic understanding of world stockmarkets is needed together with knowledge of alternative investment opportunities.

Broker Liaison Sales Executives/Assistants

As a Sales Executive you will work alongside the existing broker consultants in London and the regions. You will be responsible for assisting in developing unit trust sales through stockbrokers, insurance brokers, financial planners and investment advisers.

The vacancies offer opportunities for substantial earnings through our remuneration package.

If you feel you can match these needs please write with full C.V. to:

Stuart Perilli, Managing Director,
Crown Unit Trust Services Ltd., Crown House,
Woking, Surrey GU21 1XW.
Telephone (04862) 5033.
or
Mark Adamson, Personnel Manager,
Crown Financial Management, Crown House,
Woking, Surrey GU21 1XW.
Telephone (04862) 5033.

TREASURY SPECIALISTS

FAST TRACK IN CONSULTANCY
£30,000 + CAR + BENEFITS

This top international management consultancy has a well established Treasury Group with a reputation for excellence. *The Group attracts a diverse range of* exciting treasury assignments and has a record of consistent growth. The consultancy offers excellent experience and career development opportunities for *motivated professionals of ability.*

As a consultant you will quickly contribute to the effectiveness of the treasury functions of an impressive client list which includes both banks and international corporates. You will participate in the consultancy's training programme and develop both personally and technically in this stimulating environment.

Candidates should be of graduate calibre, in *their late twenties or early thirties,* and have at least two years direct treasury experience gained in a corporate or bank. Good communication skills, intellect and adaptability will enable you to confront a wide range of business issues successfully.

Interested candidates should call Heather Male on 01-629 8070 (evenings 0727-57718) or send a detailed curriculum vitae quoting Ref L232 to her at Slade Egor International, Metro House, 58 St. James's Street, London SW1A 1LD.

International Search and Selection

SLADE EGOR INTERNATIONAL

HEAD OF INVESTMENT MANAGEMENT

The opportunity for an experienced manager to run the money management side in a highly successful international institution

This position will be of great interest to an experienced investment management professional who is looking for the opportunity to play an executive role in the management of international assets. The emphasis will be on providing leadership to fixed interest and equity Fund Managers and on taking primary responsibility for the determination of investment policy and asset allocation strategy.

You will have had at least 10 years' experience in investment management and will probably be in the age range 35-50. It is not important in which asset areas this experience has been gained, provided that you have a good overall understanding of major world markets and the international economic scene. What is important, however, is that you should not have become too conditioned by any one type of environment and should have the flexibility to set policies which are appropriate for very different types of client accounts. Because of the nature of the role, maturity, team-mindedness and an international outlook are essential qualities and excellent managerial, communication and presentation skills a pre-requisite.

The position offers a compensation package which reflects the Company's commitment to hiring one of the very best practitioners in the field. To apply, please write in confidence to: **John Sears and Associates, Executive Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP or telephone 01-222 7733 for a preliminary discussion.**

John Sears and Associates A MEMBER OF THE SMCL GROUP

Options

We are seeking two people to join the expanding option trading desks in our Debt Securities & Banking Division.

The first position is for a trader on our Yield Curve Arbitrage Desk. Principal duties will include the formulation of trading strategies and day to day management of trading positions in the gilt and short sterling markets.

The second position is in our Debt Option Group where principal duties will include product development and trading in a wide variety of exchange traded and OTC interest rate options. Numeracy and familiarity with computers is an essential pre-requisite.

Candidates for these positions will probably be graduates with at least 2-3 years experience in a relevant market. An attractive remuneration package is offered and prospects for both positions are excellent.

Please contact, giving full career details:-

Mark Heyes
Morgan Grenfell & Co. Limited
23 Great Winchester Street
London EC2P 2AX
Telephone: 01-256 6278

MORGAN GRENFELL

CREDIT OPPORTUNITY

c£25,000-£30,000+banking benefits+Negotiable Package

"AAA" rated international bank, a major force in the world markets, wishes to strengthen its credit team by appointing an analyst experienced in the UK Corporate Sector.

- **You are interested in developing your credit career within a flexible environment where ability and achievement is recognised.**
- **This is a high profile role working for an organisation committed to developing its relationships with the major UK Corporates; the bank is actively involved in asset based financing.**
- **You will enjoy being part of an expanding organisation which can offer you a stable platform from which to further develop your career.**

If you are interested in the appointment please apply in confidence to Susan Milford — Manager, Financial appointments quoting reference number CG0569.

My client would also like to hear from good calibre, if less experienced analysts who are interested in pursuing their careers within one of the world's major banks.

Telephone: 01-256 5041 (out of hours (0483) 37480)

Management Personnel
Recruitment Selection & Search
10 Finsbury Square, LONDON EC2A 1AD.

Appointments Wanted

29 Year Old German Bachelor of Commerce,

Banker, married, departmental head of investment advice at a German private bank, seeks towards the end of 1988 or in the middle of 1989 a new position at a bank in a managerial capacity. Prefered field of activity is investments in the world stock markets for private clients in Europe, USA and Japan. Languages: English and basic Spanish. Preferable location United Arab Emirates. Salary open.

Write Box A0750,
Financial Times,
10 Cannon Street,
London EC4P 4BY

The First Canadian Bank
Bank of Montreal

FOREIGN EXCHANGE TRADERS/ CORPORATE DEALERS

The Bank of Montreal is seeking to recruit experienced Foreign *Exchange Traders and Corporate Dealers* to complement its existing professional presence in the treasury market.

Our intention is to develop our capability further in Spot, Cross Currencies and Strategic Trading and to continue to raise the Bank's profile in the corporate sector.

These positions present excellent opportunities to join a successful and expanding treasury team. Remuneration and benefits package will be competitive and commensurate with experience levels.

Please address applications to:
Mr Terry L. F. Steward, F.I.P.M
Manager, Staffing
Bank of Montreal, 9 Queen Victoria St.
LONDON EC4N 4XN

CROWN FINANCIAL MANAGEMENT

FUND MANAGERS

Make money for us – and yourself

Crown Financial Management is a rapidly developing financial services group which markets pensions, unit trusts and life bonds. We are growing, both in the size of funds under management and in the number of separate funds. Now we are looking for more top-level fund managers to help us develop our investment strength.

Deputy UK Equity Manager

£30,000 (neg.) + bonus + car

You will report directly to the UK Equity Manager and assist in managing the Group's UK equity portfolio of over £200 million. Currently, it is spread across pension funds, life funds and unit trusts. You would also be responsible for training junior investment analysts and representing the Group to brokers and analysts. At first, you would deputise for the UK Manager as necessary, but you would have the opportunity to become a full fund manager in the medium term.

You should preferably be under thirty, and an Associate of the Society of Investment Analysts with at least three years research experience. You should also have a sound knowledge of the UK equities market and stock analysis – and be able to show it.

International Fund Manager

£32,000 (neg.) + bonus + car

You will have at least five years experience in fund management and overseas portfolio research. You can demonstrate a sound knowledge of overseas markets coupled with excellent basic stock market analysis. You should be between 30-55 and looking to develop your experience both in business areas and size of funds handled.

You would report directly to the Senior Equity Manager, and be responsible for the performance of funds under your management. You would be part of a senior investment team, and your responsibilities would include structuring, adapting and trading in specific markets with the portfolio under your control.

Benefits for all positions include a pension scheme, mortgage assistance and relocation expenses where appropriate.

Please telephone or write with full CV to: Robin Witheridge, BDC (International) Limited, 63 Mansell Street, London E1 8AN. Telephone: 01-488 0155.

Fund Management

Progress the Norwich way

Have changes in the UK financial market damaged your career prospects? As one of the UK's largest, most successful and rapidly expanding financial organisations, Norwich Union — with total assets of £10bn — can keep your career moving in the right direction.

The substantial growth in Group portfolios has created the need for two additional Fund Managers and an Investment Analyst within the Investment Division.

US — Unit Linked: You will manage part of the international unit-linked funds. You must be able to demonstrate a record of successful stock selection in the US ordinary share market, and should ideally have experience of managing funds orientated towards short-term performance.

UK Life Fund: You will supervise part of a very large life fund and cover a range of sectors. It calls for someone who has experience of managing a portfolio of UK shares for a long-term fund.

To qualify for one of these superb opportunities you must be a graduate with 3/6 years' investment experience and proven stock selection ability, who is currently managing a fund or part of a fund and enjoys making independent decisions whilst working as part of a team.

Investment Analyst: You will be part of a small team responsible for advising on a selected range of sectors in the UK market on behalf of a large long-term portfolio. Up to two years' relevant experience is required.

A highly attractive benefits package includes a competitive salary, performance-related bonus, subsidised mortgage and permanent health insurance after a qualifying period, non-contributory pension and life insurance, excellent sports and social facilities, and other large-company benefits. Full relocation expenses will be paid where appropriate.

To apply, please telephone for an application form, or preferably, write enclosing a cv, quoting *Ref: 1881/BL/FT*, to Sally Frampton.

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Hyde Park House, 60a Knightsbridge, London SW1X 7LE.
Tel: 01-235 6060 Telex: 27874

Prospects of inheriting a substantial private client portfolio.

Stockbroker – Private Clients

CITY **£25,000 – £30,000 + Package**

Laing & Cruickshank Investment Management Services is one of the country's leading Private Client stockbrokers. A Senior Director with a substantial quality list of clients now seeks a Fund Manager to work alongside him until he retires in approximately 18 months' time.

This is traditional private client business, providing individual attention to the needs of the investor on both a discretionary and advisory basis. The successful applicant will be aged 30-40, with Stock Exchange examinations, and will ideally have a minimum of 8 years' experience of managing private client business, but candidates with a related background will also be considered. The ability to generate investment ideas and a sound knowledge of economics and the UK equity market are essential.

A base salary of £25,000—£30,000 is envisaged, plus bonus. We also offer an excellent benefits package, including mortgage subsidy.

Please write with full CV to: Liz Knott, Manager Personnel Services, CL-ALCH Limited, 66 Cannon Street, London EC4N 6AE. Tel: 01-236 0233.

CL-Alexanders Laing & Cruickshank

A MEMBER OF THE CREDIT LYONNAIS GROUP

TRAINEE FINANCIAL ADVISOR

An Opportunity Has Arisen For two Financial Advisors aged 23-30 to build a successful business within the Financial field. High earnings during training, rising steeply with an opportunity to enter management.

Call Nigel Brooks on 01-409-2839

FINANCIAL MARKETING AND SALES PROFESSIONALS

Futures Funds

E D & F Man International, the futures arm of the 200 year old Man Group of London is strengthening the sales and marketing team for its highly successful range of top performing futures funds.

Applications are invited from experienced professional executives for the following senior posts.

Regional Managers

The Regional Managers will be responsible for all sales activities in their regions, either by direct sales or through independent financial intermediaries. Man International is also developing its market penetration in partnership with selected financial institutions who offer tailored own-brand managed products to their client base. The Regional Managers will be expected to develop and progress these opportunities, working with the Head Office commercial and legal team.

The European Regional Manager will be based in London, while the Asia-Pacific Regional Manager will be based in Hong Kong.

Successful candidates, aged 28-40, will have 5-10 years experience in institutional or retail marketing of packaged investment products. Preference will be given to candidates familiar with the futures markets and who have significant experience and contacts in the relevant region.

Salary: Negotiable according to age and experience.

Marketing Manager

The Marketing Manager will control a press advertising, print, video and public relation budget of up to £500,000 per annum. The successful candidate will have at least 5 years experience in devising and implementing communications strategies using print, video, PR and press advertising. Experience of international off-the-page marketing of financial products is essential and preference will be given to candidates who have a degree or equivalent in marketing or communications and who have recent experience of control of complete marketing campaigns.

Salary: Negotiable according to age and experience.

Lawyer- International Securities

E D & F Man International, is also strengthening the Head office management team for its highly successful futures fund management business.

In addition to retail sales of offshore futures funds, Man International is also developing its market penetration internationally in partnership with selected financial institutions who offer specially developed futures funds to their own client base.

The requirement is for a qualified (UK or US) lawyer with experience of offshore corporate structures and international commercial agreements in the investment field. Strong commercial and interpersonal skills are required, as is the willingness and ability to travel extensively and to prepare effective documentation with a minimum of supervision.

The successful candidate will probably have 5 years' post-qualification experience in a similar field, either with an international law firm or in a financial services organisation.

Salary: According to age and experience.

Applications will be treated in strict confidence and should be forwarded to Colin Barrow, Director - Funds, at E D & F Man International Ltd, Sugar Quay, Lower Thames Street, London EC3

Senior Analyst

UK Mortgage-Backed Securities

Moody's Investors Service Limited

City — *£ Negotiable*

Moody's Investors Service Ltd., a wholly owned subsidiary of The Dun and Bradstreet Corporation, provides credit analysis services to the global capital markets by assigning ratings to a wide range of fixed income securities, financial guarantees and sovereigns. Through their already established and growing offices in New York, Tokyo and London, Moody's is expanding their global rating efforts to include UK mortgage-backed securities.

You will be working with a team of other professionals, including solicitors, technical analysts, and credit analysts, in assessing the overall credit quality of UK mortgage-backed securities. You will also be working closely with large institutional investors to communicate Moody's rating opinions. Strategic work will involve assisting in the development of this new enterprise.

Candidates should be graduates with substantial mortgage credit experience, either in underwriting, servicing or mortgage finance – possibly with one of the major building societies, banks or insurance companies. Candidates should be analytically-minded, creative, energetic and have excellent communication skills. Foreign languages would be useful but are not essential.

After initial training with Moody's Structured Finance Group in New York, you will join their London-based team of analysts. You will be required to travel throughout the UK and possibly abroad as other structured finance markets emerge. Salary, dependent on qualifications and experience, will be attractive and very competitive.

Please reply to Alison Hawley in strict confidence with details of career and salary progression, education and qualifications, quoting reference 5084/FT on both envelope and letter.

Deloitte Haskins+Sells

Management Consultancy Division

P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL

Fund Management

Marketing — **Earnings £30-40,000 + Bens**

Our client is the fastest growing of the major pooled pension fund management organisations with a reputation for producing consistently high results. In line with this rapid development they seek an additional marketing executive to join their established team of specialists.

The successful candidate will ideally come from an investment background either in marketing, Portfolio Management, or a related area and have strong personal and presentation skills.

This position offers variety and challenge within an exciting growth market, and long term prospects within a number of areas are excellent.

Interested candidates should contact **Charles Ritchie on 01-404 5751**, or write enclosing a full cv to Michael Page City, 39-41 Parker Street, London WC2B 5LH. Confidentiality assured.

MP

Michael Page City

International Recruitment Consultants

A member of Addison Consultancy Group PLC

ALBANK ALSAUDI ALHOLLANDI, a joint venture between Saudi Partners and ABN Bank, the largest international bank in the Netherlands, has vacancies for the positions of:

Chief dealer

and

Forex, Deposit dealer

Attractive remunerations (tax free) according to qualifications.

All positions are based at Riyadh and include other benefits like free accommodation, medical insurance.

Please send your written application in English before December 16, 1987 to:

Algemene Bank Nederland N.V.
Directorate Personnel/Foreign Section
P.O. Box 1914
1000 BX Amsterdam, the Netherlands.

Interviews with selected candidates will take place before December 23, 1987.

البنك السعودي الهولندي Albank Alsaudi Alhollandi

ABN Bank

Marketing Manager

Corporate Banking, Europe

Our client, a prominent International Bank, is seeking an experienced Manager to lead, co-ordinate and enhance its existing presence in the French Corporate Market.

The appointee will be responsible for marketing the Bank's full range of financial services, including Corporate Mergers and Acquisitions, Project Finance, and Asset Based Lending. Based in London, the successful candidate will be capable of developing a broad cross-section of client contacts, whilst managing a small credit team.

Candidates must be both literate and numerate, within the age range of 26-42, preferably of French Nationality or alternatively fluent in the French language and will have extensive experience of and contacts in the French market place.

Salary is negotiable and the remuneration package will include a range of banking benefits. If you are confident in your ability to meet this challenge, then please telephone or write in strict confidence to Neil Salt, quoting Ref. NAS148.

Lloyd Chapman Associates

International Search and Selection
160 New Bond Street, London W1Y 0HR
Telephone: 01-409 1371

LEADING U.S. FINANCIAL SERVICES INSTITUTION

A prestigious Wall Street Firm, actively trading worldwide, is seeking a young International Bond Salesperson to cover Europe, with specific responsibility for developing new business in Turkey, from a London base.

The successful applicant will have a strong academic record, including a first degree in Economics, followed by an MBA from one of the leading Business Schools in either Europe or the USA.

Applicants should have a general familiarity with the banking system and the functioning of capitalist economies, and will probably have some experience of the bond markets, gained through full time employment or project work carried out with a leading financial institution operating in the international bond markets.

The successful candidate will also have an understanding of the geographic area to be covered, gained from living or working there. Fluency in both English and Turkish is required.

The successful appointee will be expected to be mobile in response to the Firm's global commitments. Frequent foreign travel to visit clients is envisaged.

Good remuneration/benefits package.

Applicants possessing the above qualifications and experience should write to:- T G West, Managing Director, (Ref: 8420), Associates in Advertising, Columbia House, 69 Aldwych, London WC2B 4DX.

Associates IN ADVERTISING

Manager – Banking

Anglo Irish BANKCORP

Anglo Irish Bank Corporation plc is an Irish-based Bank which is publicly quoted both on the London and Irish Stock Exchange.

The Group provides a wide range of services throughout Ireland and has offices in the UK, located in London, Leicester and Oxford.

Currently the Sterling Retail Loan Portfolio is controlled and managed from Ireland and it has now been decided to appoint a Manager based in London to monitor and develop this important area of the Bank's business.

The successful applicant will enjoy a high degree of autonomy and will be responsible to the Director of Retail Banking in Ireland for the success of the venture.

Applicants, preferably aged 35 or under, should have a wide experience of lending in Industrial, Commercial or Merchant Banking.

Salary and the usual fringe benefits will reflect the importance of the appointment.

Please write – in confidence – to Ian White, ref. IW/B/I

MSL International (UK) Ltd,
52 Grosvenor Gardens, London SW1W 0AW.

Offices in Europe, the Americas, Australasia and Asia Pacific.

MSL International

CL-Alexanders Rouse Limited

FLOOR MANAGER

LONDON INTERNATIONAL FINANCIAL FUTURES EXCHANGE

CL-Alexanders Rouse seek an experienced professional to head their floor operations on LIFFE. The floor team is responsible for servicing a wide range of institutional and professional clients in the U.K. and continental Europe. Through the merger of the floor operation with our sister company, CL-Alexanders Discount, our volumes will expand and in future more clients will be handled directly from the floor.

The Company has recently become a member of the 'Credit Lyonnais' Group, thereby adding the ability to clear the 'MATIF' exchange and completing its ability to execute on all the world's financial futures exchanges, either directly or through its sister companies.

The Company seeks a manager with leadership qualities and the ability to direct and motivate a professional floor operation.

An attractive remuneration package of salary, bonus and other benefits will be offered to secure an applicant with the required experience and ability. Please apply with CV to:

Alano Regueiro
Director of Capital Markets
CL-Alexanders Rouse Limited
International House
1 St. Katharine's Way
London E1 9UN

A MEMBER OF THE CREDIT LYONNAIS GROUP

NATIONAL MUTUAL LIFE

MARKETING MANAGER

National Mutual Life Assurance Society is a leading mutual Life Office with over 160,000 policyholders. It has recently relocated its Head Office from the City of London to Hitchin, Herts. Established in 1830, its growth has been built on a sound financial base by specialising in mortgage-related business and more recently in money purchase pension arrangements. National Mutual Life is well placed to take advantage of the new pensions opportunities and eager to do so.

National Mutual Life is looking to appoint a Marketing Manager to develop further its marketing strategy and, as part of the Management team, to devise and implement action plans.

It is essential that the applicants should have a record of achievement as a marketing professional, be numerate and have a good command of English. He, or she, will also need to combine enthusiasm and flair with the ability to learn quickly. Experience within the financial sector is desirable.

The overall package will be in the region of £35,000 with excellent fringe benefits.

If this position offers the challenge and opportunity you feel your qualifications and experience merit, please write with full personal and career details to:

Miss K R Lewry, Personnel Manager,
National Mutual Life Assurance Society,
The Priory, Priory Park,
Hitchin, Herts SG5 2DW.

MANAGING DIRECTOR FINANCIAL SERVICES IBRC

London W1 — **£27,500 + 10% OF PROFITS**

West-Tech Financial Services Limited is a recently established subsidiary of West-Tech plc, covering all financial services for the ethnic community in the UK and the Third World.

We are now looking for an ambitious Manager with proven track record in the financial services industry who can demonstrate a flair for sales.

He or she is expected to motivate a sales team and make a significant contribution towards developing this company into a major player in this dynamic market.

Flat available, walking distance from office.

Send detailed CV only, with daytime telephone number to:-

Peter Sainsbury, West-Tech House, 3 Woodstock Street, London, W1R 1HD.

Investment Performance Measurement Specialist.

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ARTS

Electrification/Elizabeth Hall

Dominic Gill

Max Loppert reviewed the premiere of Nigel Osborne's new opera for Glyndebourne, *The Electrification of the Soviet Union*, at length on this page two months ago. He found it then an important, but melancholy, occasion: and that melancholy was underlined on Monday night at a concert performance, minimally "semi-staged," by the Glyndebourne Touring Opera.

The peculiar acoustic of the new stage at the Elizabeth Hall ensured that the balance of instruments and voices was weighted powerfully in favour of the instruments: words that might have been audible in the opera house as a result were almost without exception overwhelmed. I changed my seat after the interval, hoping to gain a better acoustical perspective: but so little even then of Craig Raine's libretto was comprehensible, and so little serious sense could be made of the odd passing word, that it was realistic only to attempt to judge the opera as a concert piece.

The manner is efficient, fluent, *factory-made* "near-tonal:" a curious amalgamation of styles, from Chaikovsky through Debussy, coming to rest somewhere a little beyond, but not far beyond, Poulenc and Milhaud. It is, at its best, clever, energetic and genial – but the effect of Osborne's efficient geniality, in all of its guises, was also irremediably bland. I wish there had been something altogether sharper and crisper and more resistant in it: more Stravinsky and Bartok and Satie – more Prokofiev even – than such a relentless torrent of predictable mainstream recipe. The sharpest moments were the simplest, and they had a perceptibly Brittenish air – a few measures every now and then of slow-moving recitative, austerely and characteristically coloured; a sudden skirl of deft and delicate woodwind fantasy.

But the dramatic current – the dramatic voltage – of the music is not Brittenish at all. It is a short opera: but it feels, as Max Loppert also found it, insensibly, aimlessly long. Nothing happens in the score or the libretto, either musically or dramatically; they lead us nowhere, slowly. Peter Sellars's staging was blamed for much of the dismal impact of the first production: but it would take more than a genius to *breathe life into such a fundamentally* flaccid (and nerveless, undaring) musical proposition. A major rewrite, not to mention a major rethink, must surely be the next step.

Adriana Lecouvreur/Barbican

Richard Fairman

A poor house suggested that Cilea does not have many supporters here. That is a shame, as *Adriana Lecouvreur* (his best opera and a popular one with audiences overseas) is well worth getting to know. The music is a marvellous confluence of Puccini's lyricism and Massenet's refined sensuality, a style that is recognizably moulded into Cilea's own. Of all the so-called *verismo* composers, he is surely the most cultivated.

For that reason, if no other, his operas deserve the most attentive care. But unfortunately at this concert performance it soon became clear that the English Chamber Orchestra had only had one or two rehearsals and nothing that they and Maximiano Valdes, the conductor, hastily put together was able to suggest otherwise. A special casualty was the heroine's lovely entrance music, reduced to a tuneless scraping by the violins.

Hearing that the evening's Adriana – the Russian soprano, Natalia Troitskaya – did well to rise with such a composed and gracious smile. But then she does not look like a singer who is easily deflected from the task in hand. This was, at every point, a formidable performance: passionately involved with the character, sung and acted out (despite the concert-hall setting) with a fire that would burn brightly, however soggy the surroundings.

Happily, though, there was one other personality on stage here, with whom she could set the sparks flying. The plot of *Adriana Lecouvreur* includes a typical soprano/mezzo rivalry, which is more than similar to Verdi's *Aida*; and in Cleopatra Ciurca's exciting Princess de Bouillon the Russian had a worthy opponent. Even the voices made a good match, Troitskaya all golden tone, Ciurca much more harsh and aggressive.

It is not surprising that the rest of the cast was over-shadowed. The Maurizio was Giacomo Aragall, struggling somewhat with a cold; while Vicente Sardinero sang cleanly enough but made little of the stage manager, Michonnet. (That thrilling old recording of the monologue by Gobbi had to be set firmly out of mind.) In the smaller roles Stuart Kale and Roderick Earle made lively contributions. In all, a good evening for the stars, but rather a mixed one for Cilea.

Cleveland Quartet/Radio 3

David Murray

It is becoming hard to recall the strong and specific impression that the Cleveland Quartet used to make in their earlier years. It cannot have been just a matter of their four Stradivarius instruments; for they still have them, and yet on Monday from St. John's, Smith Square, there were only momentary reminders of their rich collective sound. It is still a *loud* sound: many a designated *piano* was inflated to a rude *forte*, particularly charmless in the finale of Schubert's little D major Quartet, D. 74. A combination of relentless vibrato and fractional mistuning – ever so slight, but ever so often – sufficed to curdle many a concerted passage in that innocent work.

Sheer sound apart, the Cleveland approach to early Schubert was unappetisingly strenuous. The airy lines of the Allegro never floated free of a hefty, plodding accompaniment: the Andante sounded no less mechanical, despite a proliferation of would-be expressive swells in unlikely places. Their feral attack on the Minuet was somewhat relieved by an honest effort to simulate playfulness in the Trio, the sole evidence of sympathetic intentions in this performance.

Their Beethoven, the early B-flat Quartet from op. 18, was certainly more idiomatic: some proper brio at the start, if also some grittiness, and an energetic Scherzo in which Beethoven's syncopations sounded as artfully wrong-footed as Haydn's. The Cleveland addiction to vibrato, however, was visited upon even light staccato quavers; and none of the slower music escaped the plague of expressive local swells – especially obnoxious here because Beethoven does pointedly ask for them in certain places, and multiplying the effect diminishes it. Whatever guides the Cleveland team's performances these days, it cannot be close attention to the music.

Presenter John Swinfield (centre) with four regular contestants in the new "Stocks and Shares Show"

Television/Barry Riley

Still a bull market on the box

Big Bang has fuelled a business show boom, with five regular programmes running this autumn. But how have they coped since we have suffered the crash

Suddenly, TV has discovered the business scene. It must be something to do with the delayed stimulus of Big Bang, allowing for the enormous time lags in getting projects on to the air. Now that we have suffered the crash could the bull market in financial programming also soon be on the wane?

But the crash itself has provided plenty of topical material for the five regular business shows running this autumn (four of them weekly, one daily) and the first financial game show – *The Stocks and Shares Show* – is promised for January. Added to the regular series are the occasional specials, such as Panorama's programme on the Wall Street crash on November 23 and Channel 4's *Insiders* documentary last week.

So watching business TV for the past two weeks has been a time-consuming and not very uplifting experience. For a start, there is a distressing sameness about the formats: after a few bars of urgent music a man appears sitting behind a desk, then moments later we see he has a woman assistant. Presumably to add variety, another man tends to appear later in a spotted bow tie and talk animatedly. But when shows have names like *The Money Programme*, *The Business Programme* and *The City Programme*, originality is presumably at a premium.

On closer viewing, however, there are detectable differences in the apparent objectives of the various shows. *The Money Programme* on BBC2 is the longest-established, and appears to have both the broadest coverage – from big business to small investment – and the largest budget. On November 22 it managed to put out an apparently live interview with an expert in New York on the US deficit settlement, whereas the rival *Business Programme* on Channel 4 an hour earlier had hardly mentioned the weekend's big development.

The Money Programme also makes effective use of computer graphics, the one aid that TV can bring to help understanding of technical subjects, and so much more powerful than the usual sequences of talking heads and factory floor footage. Unfortunately *The Money Programme* does not appear to have its graphics department under proper editorial control. On November 29 it bafflingly charted the UK inflation rate against the dollar price of gold. What next? The Mexican inflation rate compared with the price of gold in yen?

Compared with its BBC rival, *The Business Programme* is a shoestring affair and it shows. The highlight of its November 22 edition was a long interview with Kent Price of the Chloride battery group; he is an excellent chap, I'm sure, but was he really the man of the moment when the US budget drama was hitting the headlines? To be fair, the programme, as its name implies, is more orientated to business than finance. But it seems to miss the real targets.

On November 29 the programme celebrated its hundredth edition with the promise of a feature on Saatchi & Saatchi. Would the reclusive brothers at last be lured out under the TV lights? Alas no, all we got was a peep into Charles Saatchi's private modern art gallery and an interview with the brothers' latest front man, Victor Millar.

The justification for *The City Programme*, ITV's Thursday night rival for *The Business Programme*, appears to be that it is aimed much more at the City professional. At any rate, it is not widely networked – Border TV, for instance, with few yuppies in its catchment area, is showing *Magnum* in this time slot.

In terms of presentation *The City Programme* is one of the slickest business shows and it relies on a quick-fire series of items to hold the attention. But inevitably this runs the risk of superficiality, which showed up on November 19 when it made a worthy but probably misguided attempt to cover the thorny subject of short-termism. It deserved good marks on the same programme for persuading a spokesman for the Kuwait Investment Office (normally of Saatchi-like discretion) to appear and talk about the KIO's buying of BP shares. But its investigatory items often fall into the "so what" category, as with its December 3 exposure of an *alleged US gold mining share* scam.

Last Thursday Channel 4 featured a full one-hour investigatory exercise, Christopher Hird's *Insiders* which had the publicity bonus of legal action from David Abell of Suter. For those who regard insider trading as a victimless crime the sequences involving options traders who lost millions writing out-of-the-money contracts in Santa Fe ahead of the Kuwaiti takeover will have been instructive. In fact much of the American material in the first half of the programme was well put together, although it went over fairly old ground.

Then Hird rather pulled the rug from under the programme's feet by suggesting that insider trading might be just another self-interested invention of the greedy American legal machine, "a crime made for lawyers" as rich men were dragged off in handcuffs and elaborate and expensive plea bargaining took place.

In the second half, back in the UK, the programme rather fizzled out in the maze of obscure Suter allegations. David Abell denied more or less everything on camera while elsewhere the image-starved director used toy soldier-like models to represent a cast of characters with names like Michael Somerset-Leeke and Mrs Gitterman: not so much straw men as clay men, perhaps.

Channel 4 has two other regular shows, both highly specialised. *Business Daily* is this year's major innovation, a Monday-to-Friday "City page" which would be minority viewing at any time but especially so at midday. At least it gives a woman, Susannah Simons, the chance to take the lead presenter role. And it has the advantage of up-to-the-minute topicality, even if this can lead to far too many interjections of the "and now time for another look at the Footsie" variety. Immediacy can also backfire, as when *Business Daily* prematurely announced a full subscription of the Eurotunnel issue on *November 27*.

The programme seems to have improved its pace since I last watched it in mid-October, but I still have the impression it is too long. There can be five or six *interviews with finance directors* and analysts in a single show, which is too many. Twenty minutes would be quite long enough, especially if the programme is to be viewed by professionals in their offices, which presumably it must be if a significant audience is to be built.

In contrast to *Business Daily's* scheduling in the daytime wilderness, Channel 4's personal finance show *Moneyspinner* gets a peak time slot on Tuesdays. But compared with the perfectly paced and authoritative radio programme *Money Box* this was a scrappy affair, not helped by being taped in Halifax two weeks running for no very obvious reason. With a few relatively simple subjects like payroll giving the programme was satisfactory enough, but more complicated matters were simply not given enough time or technique. Douglas Moffat tended to talk far too fast to bemused members of the public who ended up, as did the viewing public, not much the wiser.

A piece on stock market indices seemed under-researched. Viewers were told, with the assistance of on-screen captions, about the All Shares Index and the FTSE Index, but these should have read the All-Share Index and the FT-SE 100 Index. And when the programme tackled wills on November 24 we were shown Moffat walking through a cemetery. Perhaps we should be grateful the director did not think of taping a few sequences in a mortuary.

What next? The New Year will bring a 12-week *run of The Stocks and Shares Show* in which four real shares will be offered to contestants each week and the best forming portfolio at the end of the series will win. It is described by producer/presenter John Swinfield as "an intelligent game show." The series is timed to finish next April just ahead of the implementation of the main investor protection sections of the Financial Services Act, which is just as well given that broadcasters (unlike writers) are not exempt from the need for authorisation.

This is Channel 4 again, which poses the question of what has happened to BBC1 in the business TV revolution? It has been a non-starter, except that *Panorama* tried its hand on November 23 in a one-off programme on the Wall Street Crash, in which reporter Will Hutton manfully toured New York City but seemed to suffer from most of the drawbacks of pre-John Birt BBC *current* affairs coverage.

Perhaps it was optimistic to expect a clear explanation of such an event only five weeks after Black Monday, but there was a basic muddle about *whether the US was in an economic* boom or a recession. And having taken the trouble to tape separate interviews with both Milton Friedman and J.K.Galbraith, *Panorama* set them up *against each other more or less* as music hall turns. Maybe the editor thought it was good television. But it was not a way of helping the viewer to understand why Wall Street fell 500 points in a day.

Bells are Ringing/Greenwich

Michael Coveney

This co-production between Greenwich and the Cheltenham Everyman, in a cheerfully haphazard staging by John Doyle, is a most welcome seasonal curiosity. The role of Ella Peterson, the intuitive switchboard girl at "Susanswerphone," belonged to Judy Holliday – first on Broadway in 1956 and later opposite Dean Martin in the Vincente Minnelli film.

Now Lesley Mackie, who shadowed another Judy in a recent Garland tribute, pulls the plugs and connects the fortunes of a struggling playwright, an unemployed actor and a singing dentist. Jeff Moss (Ray Lonnen) thinks Ella is an old lady. When she hears that his deadline has passed, she penetrates his apartment, chivvies him along and falls in love.

The lyrics and book – both wittier and smarter than I had been led to expect – by Betty Comden and Adolph Green reflect a grounding in revue they shared with Holliday. The problem for Miss Mackie is one of making the material her own. This she does in a pleasingly dignified way, exuding a natural gamine charm and underplaying the clownishness. She retains Garland's vulnerability but has softened the cutting edge.

Jule Styne's score, which precedes his finest work, Gypsy, by three years, contains two great songs, "Just in Time" and "The Party's Over," and one very good one, "Long Before I Knew You." It is marvellous to hear these songs in their dramatic context, the first a lilting foxtrot with comic inserts in Central Park, the second a deflated solo following hard upon the first. The third, a plangent duet, is one of Broadway's most elegantly constructed love songs.

There is also "Better Than A Dream," which sets up the romance, and a delightful *point* number, "Salzburg," for the shady bookie, Sandor (John Levitt, very funny), and his loyal soubrette, Sue (Petra Siniawski, sweet and svelte).

The settings of Donald Crosby are on the ropey side, but this is not Drury Lane. A subway compartment, a drug store, a night club and a penthouse suite – this is another musical New York tour – make way for some lively dancing choreographed by Kenn Oldfield (Bob Fosse did the original show) and keenly executed by a busily costume-swapping small cast.

The sub-plot, with a couple of dicks sniffing out a gangland racket, pushes the main action along, although Mr Doyle never succeeds in explaining how characters gain unchallenged access to Jeff's suite. *Jeff* is loosely modelled on George Kaufman trying to go solo without Moss Hart, and there are other aromatic references to method actors ("There's only one Marlon Brando, and that's Tab Hunter") and pop musical fashions.

One catalogue song has been slightly re-written to include the names of Janet Blair, who played Ella at the Coliseum in 1957, *and, for reasons unknown to me*, the late Arthur Lowe.

Alastair Muir

Lesley Mackie

Saleroom/Antony Thorncroft

Phillips' Carracci record

There was much excitement throughout the salerooms yesterday, not least at Phillips where a pastoral scene of the Holy Family, with St Lucy, by the late 16th century Italian artist Annibale *Carracci sold for £847,000*, easily a record price for any work of art sold at Phillips. The previous best was the £385,000 paid for a painting by the Australian artist John Glover.

What makes it all the sweeter for Phillips was the fact that the saleroom originally mis-catalogued the painting, and estimated it at around £10,000. Then its director of Old Masters, Brian *Koetser, had second thoughts*; the experts were called in; Annibale Carracci was awarded the attribution; and the estimate was raised to around £200,000. It was also very nice for the vendor, a *Dorset lady whose grandfather* bought it for £5 in 1930 and who was told by Sotheby's this summer that it was probably worth around £400. The buyer was an American bidding by telephone and *it will probably disappear* into an American museum.

The British Rail Pension Fund continues to offload the works of art it bought in the 1970s as an alternative investment. Yesterday it was the turn of Japanese prints. It sold 33 lots at Sotheby's for £1,578,720, not a bad return on the £444,940 it paid for them a decade or so ago. Some of the minor items were unsold but the important offerings *all set new* auction records.

A very rare album (only one other is known) of Hokusai's "The thirty six views of Fuji," containing five additional prints, sold for £605,000 to International Fine Art Consultants of Hong Kong. The price was way above the £380,000 high estimate and set a record for any lot in a Japanese print sale. *The* Fund had bought it in Paris for £179,864 in 1979.

Even more impressive was the £220,000 paid for a print by Utamaro of a tea shop waitress. It was a record for any individual Japanese print, beating the £112,650 paid for the same image *earlier this year. (It was acquired* in 1975 for $35,000.) A print of a male actor by the mysterious artist *Sharaku made £165,000*, a record for him, while Seibu, the Japanese department store, *secured another Sharaku portrait* of an actor, portraying a woman, for £110,000.

Meanwhile at Christie's in London a rare early 13th century Limoges enamel and gilt copper *casket sold on target to the New* York dealer Lubin for £159,500. Danny Katz of London paid £104,500 for a gilt bronze Italian figure of Hercules supporting a globe, of around 1600 (top estimate £8,000). *Old Master* drawings did less well, two landscapes by Claude Lorraine being unsold at £95,000 and £70,000.

Sotheby's far exceeded its own modest expectations in Monaco on Monday night when it sold the antique firearms collection of the late Charles Draeger for 17,464,000 FF, converted into £1,632,149. Less than 2 per cent was unsold, not really a surprise since this was the finest private collection of such firearms in France.

Perhaps of most interest to British collectors was a pair of English double barrelled flintlock travelling pistols made for the Prince Regent, later King George IV, around 1813. They sold for £18,672, roughly in line with the top estimate.

A pair of French silver mounted flintlock sporting pistols, produced in Paris around 1800, fetched the top price of £64,317, over four times their forecast, but of more interest was a wheel lock arquebus, made for the royal collection of King Louis XIII. With its ebony stock and finely chiselled, gilded and engraved mounts, it was almost certainly a presentation piece, made by an Italian craftsman, and never fired. It sold for £51,869. A sabre presented by Napoleon to General Desaix commemorating the conquest of Upper Egypt sold for £33,196: it had probably been captured from a British soldier

Arts Guide

December 4-10

Theatre

LONDON

The Rover (Mermaid). Jeremy Irons roisters into town in the RSC's Swan production by John Barton of Aphra Behn's rollicking comedy. It plays in repertoire with the Chernobyl play, **Sarcophagus**. (236 5568/638 8891).

A Man For All Seasons (Savoy). Charlton Heston begs no favourable comparison with Paul Scofield as Sir Thomas More in a leaden production of a play best left to amateurs and children. (836 8888).

Antony and Cleopatra (Olivier). Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life. (928 2252).

The Phantom of the Opera (Her Majesty's). Spectacular emotionally nourishing new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. (839 2244, CC379 6131/240 7200).

The Balcony (Barbican). Sadly dated and heavy-handed opening to the RSC's Genet retrospective. (628 8795).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical. (379 5399).

Serious Money (Wyndham's). Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies. (836 3028, CC 379 6565).

A Small Family Business (Olivier). Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. (928 2252).

AMSTERDAM

The Woolgatherer (Garden Hotel Theatre). Lord Greystoke Productions presents a modern comedy by William Mastrosimone. Directed by John Hartnett. (64 21 21).

NEW YORK

Fences (46th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role. (221-1211).

Cats (Winter Garden). Still a sellout, Trevor Nunn's production of T.S. Eliot's children' poetry set to trendy music is classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic). An immodest celebration of the heyday of Broadway in the 1930s, with appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert). The longest running musical ever in America in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace). With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages barely to capture the feel of the sweet and hilarious original. (757 2626).

I'm Not Rappaport (Booth). The Tony's best play of 1986 won on the strength of its work-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 5200).

Les Miserables (Broadway). Led by Colm Wilkinson, the spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation. The spruced-up stage with new bridges and American scenery distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

Me and My Girl (Marquis). With forgettable songs and dated leadenness in a stage full of characters, thir is no classic. But it has proved to be a durable Broadway hit. (947 0033).

The Mahabharata (BAM Majestic). Peter Brook's nine-hour interpretation of the world's longest poem inspired the refurbishment of an old Brooklyn vaudeville theatre to accommodate it. Ends Jan 3. (947 5850).

TOKYO

Macbeth (Imperial Theatre, Hibiya). Directed by Yukio Ninagawa, Shakespeare's play has been transposed from medieval Scotland into the samurai world of Japan in the 16th century. Although performed in Japanese, the production is so strong visually that the language barrier is transcended. Ends Dec 28. (201 7777).

Kabuki (Kabuki-za). At 4pm a "new" play incorporating elements from existing dramas and based on the story of the 47 loyal retainers. Excellent English earphone commentary. Ends Dec 25 (541 3131).

Bunraku (National Theatre). Puppet theatre: one of Japan's most refined art forms. Earphone commentary in English. Ends Dec 20. (265 7411).

Twelfth Night (Ginza Saison Theatre, Kyobashi). (In Japanese). Directed by Adrian Noble of the Royal Shakespeare Companyu, this production of Shakespeare's most festive comedy is usually inventive but lacks a strong emotional core. Some of the acting is weak, but an ex-pop singer Ran Ito is a spunky Viola and comedian Frankie Sakai an amusing Malvolio. Ends Dec 13. (535 0555).

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

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Health care dilemmas

MANY OF Britain's hospitals and health authorities are facing acute shortages of money and skilled staff - particularly nurses. This message has been brought home, not just by a barrage of press reports highlighting unacceptable delays in treatment for patients, but by a joint statement from the normally reticent presidents of the Royal Colleges of Physicians, Surgeons and Obstetricians, urging immediate financial assistance.

Government ministers have a stock response to worries about underfunding. Expenditure on the NHS, they say, has risen by 31 per cent in real terms since 1979, more than twice as fast as public spending as a whole. Health, therefore, is a relative priority and is being more generously funded than ever before, even after allowance for general inflation. The apparent shortages are thus not primarily due to a lack of resources.

On this reading, the real problem is more subtle: it is that the NHS faces an impossible task. Technical advances are constantly improving the potential quality of health care. At the same time, the NHS is expected to give everybody, irrespective of sex, age or position, equal access to these advances. Yet the demand for services that cost nothing at the point of delivery is inevitably limitless. The health service will thus always be in a state of crisis: there will always be excess demand for health care.

Infinite demand

The excess demand dilemma is exacerbated, argue the critics, because deployment of resources within the monolithic state-run NHS is relatively inefficient. There are few incentives for medical staff; patients cannot make their preferences known. It is extremely difficult even to obtain reliable statistics on the relative performance of different hospitals and health authorities. A long-run solution thus awaits not so much the injection of more cash, but reform of the UK's health care system and a realistic setting of priorities for hospitals.

This critique certainly deserves to be taken seriously. But it is far from clear that the present problem is mainly one of infinite demand and unrealistic aspirations, pressing though these factors may be in some specialised areas. It is at least as likely that the Government is seriously underfunding a health service that is both comparatively efficient and comparatively rational in its ordering of priorities. After all, many of the unmet health demands are quite basic - kidney dialysis patients, for example, have been turned away because of the exhaustion of cash budgets.

The apparently generous increase in NHS spending is slightly misleading. It was concentrated in the early Thatcher years and partially swallowed up in the large Clegg pay awards of 1980/81. Moreover, cash was pumped disproportionately into family practitioner services. The cuts in hospital services and the financial crisis afflicting health authorities reflect the cumulative underfunding of centrally determined pay awards in recent years and ministers' failure to take account of various special factors, such as the ageing of the population.

International comparisons indicate that Britain is indeed skimping on the NHS. The UK devotes around 6 per cent of GNP to health; the average in continental Europe is close to 9 per cent. Crude comparisons can be misleading, but this gap is too large to be easily explained away. Assuming British preferences are similar to those elsewhere, the figures suggest that an extra £10bn or so a year could be spent on health care in the UK without distorting the overall allocation of economic resources.

Given the large scope for tax cuts built into the Government's budget plans for this Parliament, sizeable additional resources for health are obviously affordable. Ideally, more cash would be coupled with structural reforms of the NHS. The Government could also be more imaginative in looking for ways of making private health care accessible to those on low incomes. But in planning improvements, it should not lose sight of the advantages of a system that strives to offer equal access to health care, nor hide behind the argument that health care demands can never be met. The point is that more, quite reasonable demands could be met than are being met today.

The legacy of Africa's past

DEBT and drought, dissidents and disease, are devastating sub-Saharan Africa. Thirty years after the high expectations that greeted Ghana's independence, marking the assertion of a nationalism that swept through Africa, the continent is impoverished. It owes foreign creditors some $200bn and the repayment levels are crippling. The consequences of poor rains and harvest failures are exacerbated by civil conflicts in Ethiopia, Sudan, Chad, Mozambique, Angola. At least one million Africans are expected to die of AIDS within the next decade.

There is no single answer to the growing crisis which envelops the region,just as there is no single cause. But unless there is a sustained and coordinated effort by the West to provide greater help to African governments which are now trying to help themselves according to prescriptions laid down by the World Bank and the International Monetary Fund, today's crisis will become tomorrow's catastrophe.

African leaders must look back ruefully at the post-independence record. The challenges that faced the new governments of the 1950s and 1960s were considerable. Yet it is difficult to avoid the conclusion that most of them have failed their peoples. Presidents and prime ministers took office for life, immune from electorates and parliaments, and protected by bans on opposition parties. In many cases intolerant civilian regimes were replaced by authoritarian soldiers. Across Africa military spending rose, corruption spread, civil rights were abused. A steady erosion began of the checks and balances of government power which should be provided by an independent judiciary, a competent civil service, a free trade union movement.

Growing poverty

It is no accident that regimes which stifled debate were slow to respond to the external shocks which have contributed to the decline of post-independence Africa. The sharp rises in the price of oil, higher interest rates on foreign loans, a steep decline in the continent's terms of trade with the outside world, all severely weakened African economies, many of which rested on uncertain foundations: agriculture was neglected, prestige projects ranging from stadiums to ill-conceived steel mills took priority, and inefficient state-owned corporations multiplied. Certainly aid donors bear some of the blame, backing the very projects which are now a burden in order to win orders for companies at home, and failing to coordinate foreign aid programmes. But for too long African leaders shirked reform.

As the crisis deepened, however, marked by growing poverty, rising debt, and declining export receipts, governments have been forced into a fundamental review of economic policy, assisted by a series of blunt World Bank appraisals. The culmination of this process was a special session of the United Nations General Assembly in May last year to discuss an economic recovery programme endorsed by the International Monetary Fund and the World Bank, and whose principles are being put into practice by most African states. Exchange rates are more realistic, government deficits have been cut, agricultural incentives increased.

Fresh start

But Mr Javier Perez de Cuellar, the UN Secretary General, warned recently that the programme is in jeopardy because the continent's debt burden is too heavy, and the flow of new resources inadequate. Last week's special summit of the Organisation of African Unity to discuss Africa's external debt was told that interest and principal repayments now take up 40 per cent of the continent's export earnings, a level clearly incompatible with efforts to secure recovery.

Western governments have initiated a series of measures which go some way to easing the problem, which include higher IMF and World Bank lending in 1988. A three-point plan was launched earlier this year by Mr Nigel Lawson, the Chancellor of the Exchequer, suggesting that creditor nations should convert aid loans to grants, agree longer repayment periods and extended grace periods for official loans, and cut interest rates on these debts to below market levels.

Africa needs to make a fresh start under new policies, free from the legacy of past mistakes and misfortunes. A sharp reduction in the burden of deadweight debt should, therefore, be treated as an entirely appropriate *quid pro quo* for radical policy reform.

Mr Lawson has noted that there has been considerable resistance to cuts in interest rates on the debt. But as the OAU has rightly insisted, something has to be done. Without prompt and generous action by the West the legacy of Africa's past will cripple Africa's future.

Janet Bush reports on the crisis facing US securities companies in the wake of Black Monday

After the crash comes the shake-out

WALL STREET has developed a hangover of agonising proportions. Two days ago, L. F. Rothschild, a medium-sized securities firm, became the latest in a growing list to show the strain. Having lost a quarter of its equity in the stock market crash, it announced that more than a third of its workforce was to be dismissed.

Only a few days earlier, Kidder Peabody told its workforce that a 1,000 jobs - 14 per cent of the total - were to go. Others had been even quicker off the mark. E. F. Hutton held an emergency meeting on the night of Black Monday, October 19, and decided there and then to put itself up for sale. For the price of a quick deal with Shearson Lehman, Hutton is putting itself on the line. Some estimates suggest that 6,000 jobs could be lost.

There is no doubt on Wall Street that further grim announcements are only a question of time.

The unprecedented setback in share prices has not only brought substantial capital losses and sharp declines in revenues in the wake of falling business volume. It has also exposed serious management shortcomings in some of the biggest firms - weaknesses that had been hidden during the five glorious years of the bull market.

According to Dr Peter Drucker, the author and consultant, Darwin's theory of evolution is as relevant to the development of the US securities industry as it is to the rest of the animal world. Speaking at last week's annual convention of the Securities Industry Association in Florida, he likened the business to a primitive creature which had evolved enough to live on land.

There, he said, an animal can grow to about six inches without needing a skeleton. Beyond that size, however, pure cartilage cannot support the frame.

Aggressive securities giants like Salomon Brothers or Merrill Lynch do not perceive themselves as embryonic creatures lying on their bellies in the primaeval swamp. Yet the fundamental reassessment of management strategies in many securities companies, which has been accelerated by the October collapse in equity prices around the world, has much to do with the need to provide a stronger backbone to support their enormous size and protect them against the losses sustained in a rapidly falling market.

What the equity crash conclusively proved was that many securities companies had seriously over-extended themselves. The long bull market had seen sweeping deregulation in important areas of their business, and an explosion in the availability and use of more and more complicated financial products. At the same time, a drive for ever greater revenue and ambitious global expansion plans had involved the creation of thousands of new jobs in New York and other financial centres.

The price is now being paid.

The latest announcements of cutbacks and redundancies have had an air of emergency about them. The need to inject capital is seen as paramount after many companies suffered enormous trading losses not only during October's stock price collapse but also during the sharp downturn in the US bond market earlier this year.

A number of Wall Street firms have come clean about their losses in October. First Boston is thought to have made a loss of more than $60m (£33.42m) and L. F. Rothschild said it had lost $44m. In both cases, the problem was in risk arbitrage. Bear Stearns announced it had lost $96m before tax on arbitrage and options business during October's crash. The securities firms which underwrote the British government's sale of shares in British Petroleum were badly hit. Goldman Sachs, for example, sustained a loss of about $80m.

Even before this disaster, some firms had already started to suffer from dwindling returns on equity and ever more paltry profit margins, and had decided that something had to be done. The current round of redundancies started with Salomon Brothers' decision in early October to close down its municipal bond and money markets operations.

Figures compiled by the Securities Industry Association show graphically that while the capital employed in the securities business has been rising rapidly during the 1980's, profit margins have been squeezed and return on equity has fallen.

Securities giants do not see themselves as embryonic creatures on their bellies in the primaeval swamp

Whereas pre-tax profit margins averaged 12 per cent from 1981 to 1983, margins have declined to under 9 per cent in the year to date (and probably a lot less than that since the crash). Pre-tax return on equity averaged an extraordinarily high 38 per cent in the early 1980s but then deteriorated in the last three years to about 23 per cent. At the same time, the industry's equity capital increased from $7bn in 1981 to $26bn by the third quarter of 1987.

In the sombre words of the SIA: "As capital has expanded, the industry has had to assume more risk and work harder and harder to generate the same level of return as in earlier years - and it has failed to do so". Even before the crash, the process of retrenchment was already inevitable.

In this harsher climate, priorities have changed completely. According to Mr Edward O'Brien, the SIA's president: "A year ago, the thing was revenue building. Now profitability and cost cutting have gone to the top of the list of management priorities. There was always an attitude that the market would bail us out but that is looking old-fashioned now."

The need to bolster capital was a prime topic at the SIA convention last week. Yet there are some who believe the market cannot stand more Black Mondays however deep their pockets. Mr Michael Creem of Mercator Partners, a specialist (market maker) on the New York Stock Exchange, takes this view: "Making markets is our job. Even if the Dow is falling 500 points a day, there is no way to call time-out. You just pray and hope you survive. No amount of capital is going to stop you getting buried."

Mr David Ruder, the new Chairman of the Securities Exchange Commission- the industry's watchdog - has informally floated the idea of an emergency cushion of capital to ensure the liquidity of market makers at times of crisis. Although no more than a tentative idea, it has already been shot down by some powerful guns. In particular, Mr John Phelan, Chairman of the New York Stock Exchange, argues that no-one ever wanted to give money to support a competitor. Speaking in Florida last week, Mr Phelan said increased capital was not the whole answer.

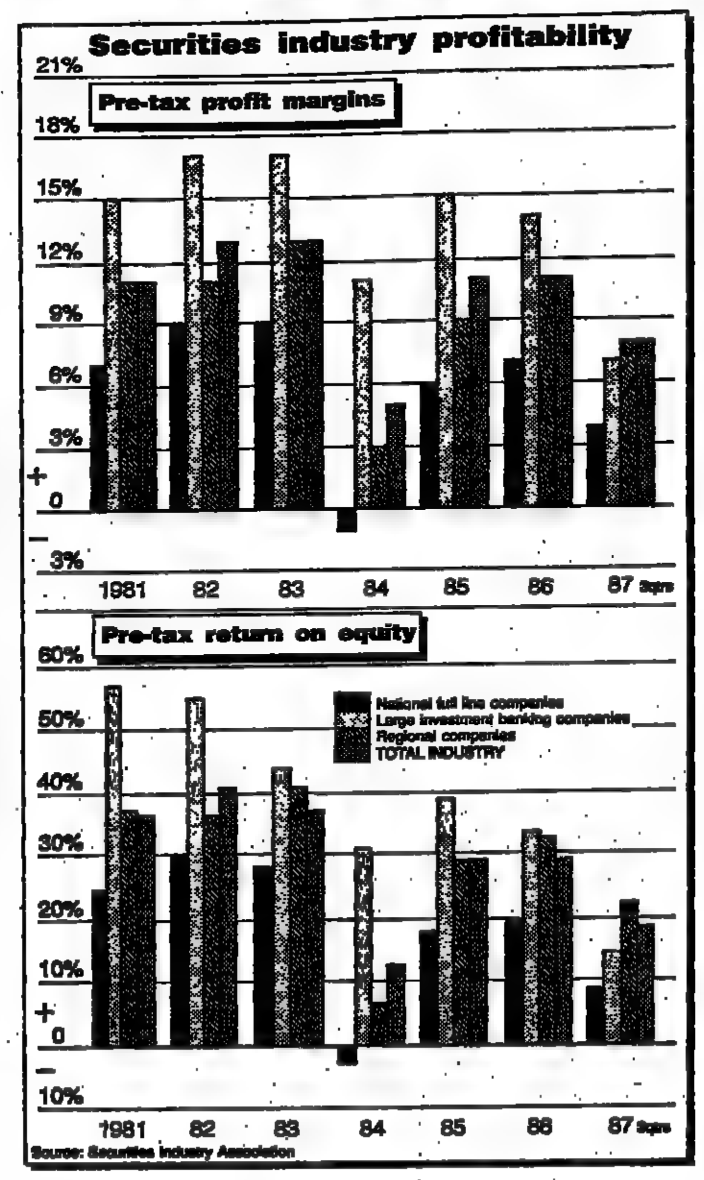
The NYSE has so far responded to October's events in a highly practical way, forming an operational committee to coordinate efforts to upgrade the exchange's trading and communications systems to handle peak days of 600m shares by the end of next year.

Since the crash too, the NYSE has waived restrictions on the outside ownership of specialist firms. This has enabled Merrill Lynch and Drexel Burnham Lambert to gain seats on the floor for the first time.

Current manoeuvrings smack of emergency measures in response to recent events. But the crash will have longer-run, much more fundamental consequences.

John Phelan

David Ruder



Source: Securities Industry Association

A number of top-level reviews into the causes of Black Monday are now being conducted, one by the Brady Commission in Congress and another by the SEC. Mr Ruder says that the SEC's review will examine, among other things, the role of abritrage activities in the futures markets. He questions whether the ability of a trader to take the equivalent of a very large stock position through futures and options for relatively small down payments results in unacceptable levels of speculative activity in the markets. "In other words, should higher margin requirements be imposed on derivative index products?" he asks.

There has already been evidence of a new stringency with regard to the development of such fancy new instruments. In what smacked of a pre-emptive strike against such criticism, the Commodity Futures Trading Commission, the Washington-based regulatory body, recently sent back several new proposed futures contracts to their sponsor exchanges for further review and analysis.

The reputation of derivative products has been badly tarnished, not least because of well publicised evidence that unsophisticated private clients had been encouraged to take out naked options - market jargon for options amounting to very risky one-way bets that the market would continue rising - and found themselves bankrupted as a result.

This kind of irresponsible hard-sell (people will buy anything if they believe in the bull market, even British Petroleum shares) is coming in for much criticism. The SEC's David Ruder has reported a doubling in complaints from investors about securities firms since the crash, and has urged them to examine the standard of their customer service and their compliance with regulations. "Until compliance receives the same kind of attention as your profit centres, you will continue to face the likelihood of breakdowns that can lead to undesirable publicity, with incalculable losses in customer confidence," he said.

There are those who think that the crash has actually prevented something worse, by forcing the industry to reshape itself while it was still in a position to do so. Thus Mr James Barton, President of Prudential Bache Capital and Investment Services, applauds the new sobriety which has emerged since October. He has long criticised the casino atmosphere of Wall St and sees the dramatic break in the bull market as a blessing in disguise because it has forced companies into a period of belt tightening and reassessment which will ensure their future stability. While not a view which will win friends at L. F. Rothschild and the rest, you can see what he means.

In Boca Raton last week, much emphasis was placed on the need to restore confidence in the investment community and particularly to woo the private investor back into the market. As Prudential's Mr Barton put it: "If the private investor is frightened off, the securities houses could risk the break down of the entire system of raising capital. If you put the primary market in jeopardy, the secondary market just collapses."

There was a sense, too, that the fate of the securities industry now lies in the hands of politicians in Washington. The fear is that a rattled Congress, currently conducting a number of studies into the cause of the crash, will indulge in some panic re-regulation. As one senior Wall Street executive commented ruefully of securities firms: "You can't be powerful and have people like you at the same time."

Mr Arthur Levitt, Chairman of the American Stock Exchange, said the industry must maintain a close dialogue with Washington. "The next year is going to be very difficult and I see stock exchanges sometimes having to take an independent stand from their member firms. They may well resist any tightening up of regulation but that would be a mistake. The first priority is to restore confidence in the investing community."

There is no doubt on Wall Street that the shake-out which has already begun in the wake of October's crash will continue. Mega-mergers on the scale of the link-up between Shearson Lehman and E. F. Hutton will be rare. On the other hand, there is every expectation that some groups will encourage capital-rich companies to take large equity stakes in them. One recent example was the major investment in Paine Webber by Yasuda Life, the Japanese life assurance company.

The overall structure of ownership in the industry is now very much in the air. Some firms need new partners, others must feel distinctly vulnerable to unwelcome attention as a result of the slump in their own share prices.

Above all, the revival of attempts in Congress to repeal the Glass-Steagall act, which for more than 50 years has kept commercial banks out of the securities industry, could lead to the most far reaching restructuring of US finance since America's own version of Big Bang on Mayday, 1975.

The securities industry has for years been successful at lobbying Congress in favour of the *status quo*. The prevailing attitude in Florida last week was that repeal was now just a matter of time. A thoroughly battered securities industry, hands tied with drastic reviews of management strategy and profitability, simply does not have the energy or the time to stave off what some now see as the inevitable.

Men and Matters

Pru's policy for change

The arrival at the Prudential's Holborn headquarters next month of Michael Lawrence, aged 44, as group finance director,and a main board member, will mark two "firsts" for Britain's biggest insurance company. His appointment is also a signal of the brisk pace of change inside the Pru.

Lawrence, currently a Price Waterhouse partner (he has been with the accountancy firm since 1969), will be the first finance director to be employed by the Pru since it started doing business in 1848. He will also be the first outsider to be appointed straight to the board as a top-ranking executive.

Brian Corby, the Pru's chief executive, says frankly that Lawrence was head-hunted for the key post. "We were, of course, looking for a man of considerable calibre in the financial sector. And the field of choice is not very large". When Lawrence is in post, Don Sirkett, the Pru's finance controller, who has had responsibility for both finance and strategic planning, will devote himself entirely to strategic planning as part of Corby's overall plan to develop the business.

Not only are substantial changes going to be made to the Pru's venerable building — of which more later — but the shape of the business itself can now be seen to be altering radically under Corby.

Until just a few years ago the Pru was totally an old-fashioned insurance company, with a non-executive board of illustrious outsiders and retired executives. Now the arrival of Lawrence will bring the number of executive members of the board to seven.

Diversification two years ago into unit trusts and estate agencies (the Pru now has 600 agencies employing 6,000 people) already means that about one-quarter of the group's activities are outside traditional insurance.

At the same time the Pru's premium income from insurance is rising rapidly. In 1986 it was £3.2bn. And the insurance business has been expanded by the £406m purchase of Jackson National of the United States.

Corby is thinking hard about the implications of a more united European Community in the 1990s and thereafter. "We must consider whether we want to be large in one "region" of Europe, or large throughout Europe.

He shows his preference by the way the Pru is now moving into Europe. It operates in Belgium, and is setting up a joint life insurance business in Italy called Prudential Vita with Benetton, the Italian clothing-to-financial services group.

Corby sums up his European development philosophy, "We want to go in. But we want to make sure it makes sense in profit terms."

A good gas

Ask for Merv the Gas in Wales and anyone will point you in the direction of Mervyn Jones, aged 77.

For 22 years following the nationalisation of the gas industry he was chairman of the Wales Gas board. And, as if that was not enough service to the principality for one lifetime, he went on from gas to be chairman of the Wales Tourist Board for a further six years.

That was where he became known affectionately as Jones Croeso - that being the Welsh word for Welcome.

Even that impressive biography is, however, only half the Mervyn Jones story. A son of the manse, he started his working life in local government and became, as many good solicitors do, a town clerk - in his case for Newport. He helped to found the Welsh National Opera Company, as well as Prince Charles' favourite institution, Atlantic College on the coast just outside Cardiff.

Now Jones has has distilled his years in the public service into a book which he is calling Going Public - a title which infers there is still more to come.

Since he has 40 years full-time in the public sector, and more since "retirement" to draw upon, one wonders whether here is a new author who might beat the Labour member of parliament and former minister Tony Benn at his own game in terms of sheer weight of volumes of reminiscences.

Market move

The building of the Holborn offices designed by Alfred Waterhouse for the Pru began in 1876, and carried on in a piecemeal fashion over the next 20 years as the insurance company grew and needed more space. What eventually emerged were three buildings with different floor levels, bonded together by the once-seen-never-forgotten frontage of terracotta facing Holborn.

The Pru is now seeking planning permission to spend £95m redeveloping the rear of the site, without disturbing the frontage, to provide 750,000 sq ft of accommodation. The plans provide for a main courtyard open to the public, and a cloister — an amenity for quiet reflection not provided by many insurance companies

Old neighbours have not been forgotten in the scheme. The Pru is proposing to build a new market square for the Leather Lane street market where Cockneys have been trading since medieval times.

Sugar's yen

A novel way to signal satisfaction with a company's performance has been devised by shareholders in Amstrad, the consumer electronics group built up by Alan Sugar, its charismatic and outspoken chairman.

So pleased have these shareholders been at Amstrad's progress that they commissioned Bryan Organ, portrait painter of the rich and famous, to set down Sugar's likeness. In the best traditions of patrons of the arts, the shareholders have requested anonymity.

The Amstrad chairman is said to be tickled pink with the result, which now hangs in his home. Sugar is portrayed seated in front of a blackboard covered with calculations in yen relating to one of Amstrad's many products. He is smiling confidently out at the viewer.

The portrait must surely mark the arrival in the Establishment of Sugar, who often professes distaste for the way the media treats him as a business superstar. Organ's previous subjects have included Prince Charles, Sir Michael Tippett, Lord Denning, Lord Callaghan - and Lester Piggott.

Murphy's law?

A distinguished former editor of this column, Sir William Rees-Mogg, now chairman of the Arts Council, shows a closer acquaintance with the building trade than I would have thought possible.

Writing about modern concrete buildings — which he clearly abhors — in the Independent newspaper, he says "If the concrete is mixed by an Irishman called Murphy on a Friday afternoon, it will turn to sand 10 years later. Or, to pass the scrutiny of the surveyor, it may have been creamed up with Fairy Liquid so that a couple of sacks of cement could be wheeled off the site."

I don't know whether little ways on building sites are as he suggests. If they are not, would Murphys who mix concrete, and feel in a mood to protest, please write to Sir William not to me.

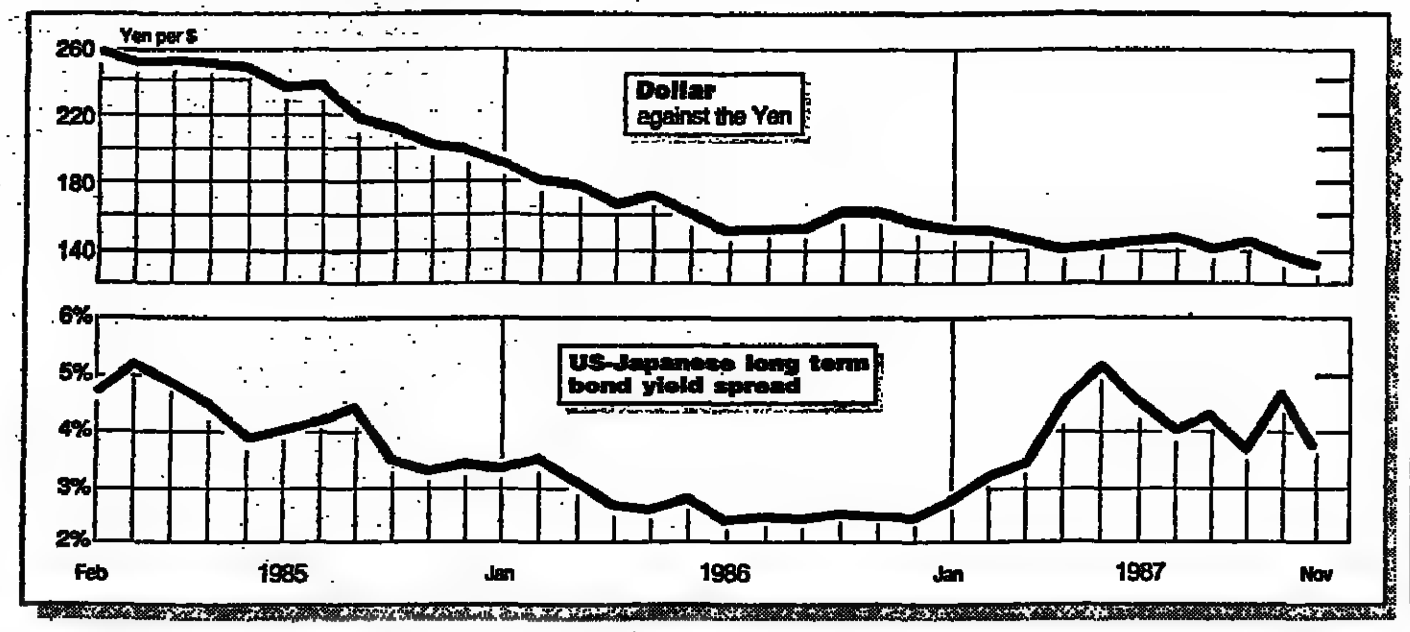
Long play

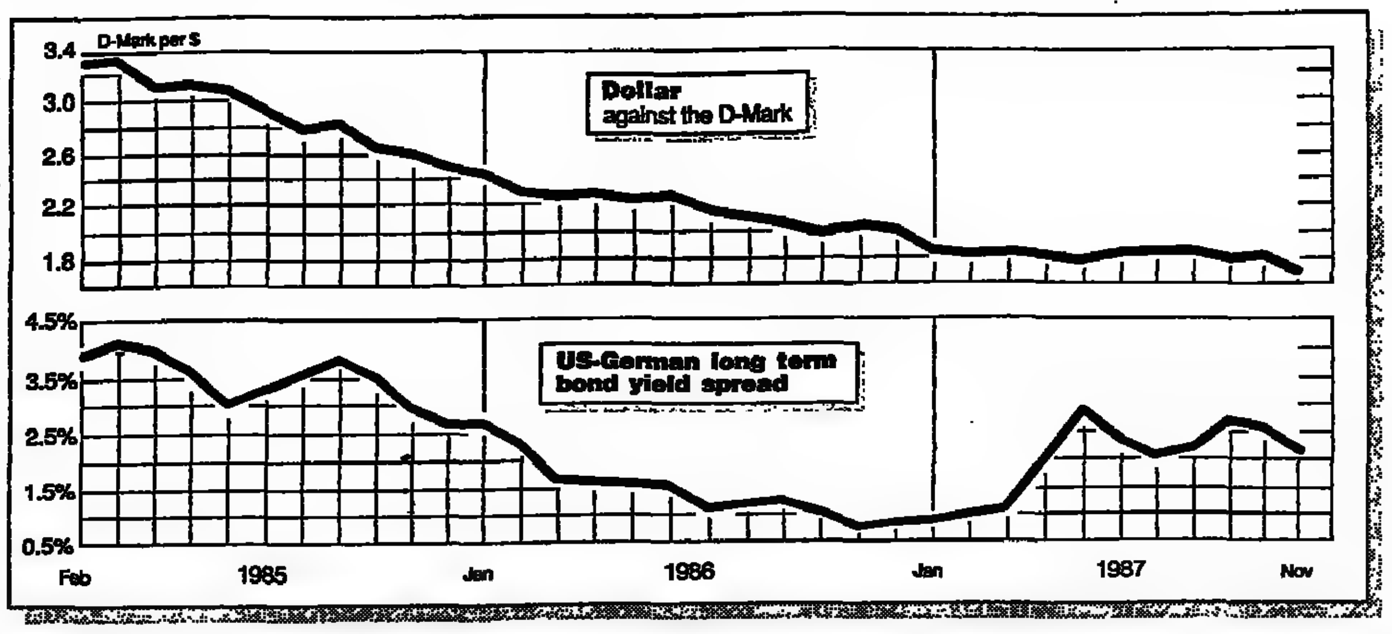
An early sign of the season of goodwill in a London street market.

A junk stall has a notice over a pile of cardboard boxes. "Pieces from 20 different jigsaw puzzles in every box. Ideal Christmas present for the neighbour's kid."

Observer

Ronald McKinnon traces two conflicting interpretations of high US interest rates and the dollar's decline this year





The need to prop up the dollar

MORE PUZZLING than mid-October's US stock market crash were the financial events that preceded it.

Throughout this year until the beginning of October, interest rates on dollar assets rose sharply, particularly on long-term bonds and mortgages. Beginning at less than 8 per cent in early January, interest yields on 30-year US Treasury bonds peaked at about 10.4 per cent two days before the crash on October 19. But stock prices had seemed oblivious and kept bubbling upwards. Stock yields, measured by earnings as a proportion of current prices, fell below 5 per cent by late August, far below returns on bonds.

When the huge "correction" occurred, not only did stock prices plummet, thus raising yields, but the prices of relatively safe long-term bonds rose sharply. Within a few days in October, interest rates on long-term US Treasury bonds had fallen as low as 8.8 per cent, a fall of a point and a half within an unprecedentedly short period of time. Whether interpreted as a flight to safety or to higher yields, a sharp shift in portfolio preferences from stocks to bonds dramatically narrowed the yield gap between them.

What then are the implications for a cyclical downturn in the US (and world) economy – possibly led by further declines in the US stock market? Clearly, if the country's long-term interest rates stay high or begin to increase, an investment slump and continued financial crisis seem likely. (And interest rates on Treasury bonds are creeping up to above 9 per cent once again.) Let us, therefore, re-examine what caused US interest rates to increase so sharply this year before the crash.

As in Europe and Japan, US interest rates are sensitive to financial markets' perceptions of the way the dollar exchange rate will move through time. Bonds denominated in D-Mark, yen or sterling are close substitutes for dollar assets in international asset portfolios. Furthermore, everybody understands that the US's monetary policy, with those of West Germany (representing the European Monetary System bloc) and Japan, has a first-order impact on the dollar exchange rate against D-Mark, sterling or yen. Therefore, the US Government's perception of what is a proper intermediate or long-term foreign exchange "equilibrium" is a critical determinant of both the term structure of the country's interest rates and the spot exchange rate. In particular, whether private exchange rate expectations are regressive or extrapolative – that is, are expected to return to a specific level or to continue in their present direction – determines whether US interest rates fall or rise in response to, say, a depreciation of the dollar.

To illustrate this point, consider the behaviour of US long-term interest rates during the great fall in the dollar which began in March 1985. Initially, everybody perceived that, at Y260 and DM3.3, the dollar was grossly overvalued by any unambiguous commodity market criterion, such as purchasing power parity. Anticipating future devaluation, US long-term interest rates were 4 to 5 per cent higher than those of the West Germans or Japanese.

When central banks began co-operating in 1985 to drive down the dollar (as subsequently ratified by the Plaza Hotel Accord the following September) with high money growth in the US and relative tightness in West Germany and Japan, people initially believed there existed an implicit, or secret, official agreement to support some rough target zone for the dollar – around Y200 or DM2.3 marks – which approximated to purchasing power parity. Hence, as the dollar fell, international investors thought at first that further devaluation was less likely. To maintain balance in international asset portfolios, therefore, longer-term US interest rates fell relative to their West German and Japanese counterparts.

If US long-term interest rates stay high, a continued financial crisis seems likely

Even for much of 1986, when the dollar had fallen past the imagined target level, international investors maintained (weakly) regressive expectations. Although the dollar had overshot, they saw some substantial probability of its increasing again. Thus, by November 1986, US interest rates had fallen to between 1 and 1½ percentage points above their D-Mark and yen equivalents.

From early 1987, however, with the dollar down to about Y150 and DM2, these regressive, and stabilising, expectations of returning closer to purchasing power parity were eroded. The US Government hinted that it wanted further dollar devaluation, in order, so it thought, to reduce the trade deficit. On January 13, the Administration dropped a bombshell with a front page leak in the New York Times that it was disassociating itself from the attempts by the Bundesbank and the Bank of Japan to put a floor under the foreign exchange value of the dollar. Currency traders began to see a bottomless pit for the dollar exchange rate.

Private expectations then shifted (on net balance) from being regressive and stabilising in 1986 to being extrapolative and destabilising in 1987. As the dollar continued to fall, it was expected to fall further. The effects of this unfortunate, and entirely avoidable, shift in private expectations in the financial markets were twofold.

● First, the natural flow of foreign private finance to cover the huge current account deficit in US international payments dried up this year. Although difficult to measure precisely, enormous official intervention of more than $70bn – mainly through a rapid build-up of dollar exchange reserves by Japan and European countries – more than covered the cumulative US trade deficit until the end of May.

● Second, from March to May, US long-term interest rates rose, while long rates on yen and D-Mark bonds fell. By May, the US long-term interest rate was 2.9 per cent above the corresponding rate in D-Mark and 5.23 per cent above that in yen. Over this period, both spreads increased by 1.7 percentage points.

Perhaps due to an increase in the price of oil and other primary commodities, the dollar strengthened a bit in June and July. Because Japan's and West Germany's trade surpluses were suddenly reduced, yen and D-Mark assets became less attractive to international investors. This enabled foreign central banks to unwind some of their previous rapid accumulation of dollar exchange reserves. Long-term interest rates on dollar assets fell modestly, with an increase in Japanese interest rates, as anticipated appreciation in the yen lessened.

From August to October, however, the dollar weakened again as US officials – and many professional economists such as Martin Feldstein, former chairman of the US Council of Economic Advisors – once more advocated further dollar devaluation to correct the trade deficit. US interest rates then rose sharply, eventually pricking the bubble in the stock market. However, the actual day of the crash seemed to have been precipitated, in part, by Treasury Secretary James Baker threatening over the weekend of October 17-18 to cancel the already shaky Louvre Accord (of the preceding February) to put some kind of floor under the dollar. No wonder international investors in dollar assets became nervous.

Has the US Government learnt the right lessons regarding the importance of stabilising the dollar in the foreign exchanges, in order to calm investors' fears and bring down long-term interest rates on dollar assets? Unfortunately, the answer might be no.

Since the crash, the dollar has fallen to new lows of around Y133 and DM1.65. Indeed spokesmen for the US Federal Reserve System said explicitly that the Fed would no longer try to defend the dollar in the foreign exchanges, but would concentrate on pumping liquidity into the American financial system to offset the contractionary effects of the crash in the stock market. Unsurprisingly, in late November/early December, US long-term interest rates started to edge upwards again.

The budget accord seems too weak to ensure any substantial correction

This brings in the second interpretation – and one more commonly accepted within the US Government – of the cause of the increase in US interest rates this year, prior to the crash. Because the Fed was so anxious to defend an "over-valued" foreign exchange rate for the dollar in 1987, so the argument runs, US monetary policy became too tight and caused interest rates to rise unduly. So it follows that unilaterally expanding the money supply and letting the dollar go in the foreign exchanges is the best way to bring down interest rates and prevent further falls in the stock market.

As an important corollary to this "tight money" interpretation of high US interest rates, letting the dollar fall is seen as desirable in order to increase the country's international competitiveness. In this commonly held view, any such depreciation will be self-limiting because it will eventually reduce the trade deficit. However, it is generally recognised that a currency devaluation has no predictable impact on the monetary (dollar) value of a country's net trade balance. In the US case, the imbalance between saving and investment caused by the huge structural (full employment) fiscal deficit of between $150bn and $200bn a year will continue to show up as a large trade deficit of the same order of magnitude – whether the dollar is devalued or not.

So there is a direct conflict in economic perspectives. Whether one accepts the "falling dollar" or the "tight money" interpretation of what drove up US interest rates in 1987 determines how monetary policies should respond to the crisis. Curiously, perhaps, these two opposing monetary camps generally agree on the importance of correcting the US fiscal deficit for bringing interest rates down further on a worldwide basis. And the November fiscal accord between the Administration and the Congress seems too weak and ineffectual to ensure any substantial correction.

If a lack of confidence in the future foreign exchange value of the dollar is the main reason that US interest rates are so high, a unilateral monetary expansion in the face of fiscal weakness will fail to bring them down. Once the initial effect of the crash-induced shift in investor preferences from stocks to bonds wears off and the dollar remains weak, US long-term interest rates will again edge upwards – with the potential of inducing further declines in the stock market.

The "falling dollar" interpretation suggests an alternative monetary technique for reducing US interest rates, while recognising the need for the Fed to bail out individual financial institutons in distress. The governments of the US, the European bloc and Japan should openly announce their joint intention to put an explicit floor under the dollar in the foreign exchanges through monetary co-operation. To prop up the dollar, Fed policy should be to raise short-term interest rates. The result would be to reduce US long-term interest rates. Then, if world-wide deflation were to appear imminent, the three parties should collectively provide sufficient offsetting liquidity to the system.

The author is William Eberle Professor of International Economics at Stanford University, California

Letters to the Editor

Company directors need training too

From the Director General of the Institute of Directors.

Sir, Michael Skapinker's review (December 2) of Bob Garratt's The Learning Organisation draws attention to a weakness in the structure of our business organisations. Getting the right people onto company boards and training them for their duties are critical pre-requisites of a company's success, and therefore for the success of the economy as a whole.

The picture is not quite as black as he paints, though a great deal remains to be done. The Institute of Directors has for many years trained directors to help them overcome exactly the problem described. We have an extensive programme of courses aimed specifically at directors rather than managers. We publish a series of authoritative publications on subjects with which a competent director should be familiar. We run services to provide both instruction and education with special emphasis on board structure and the role of the chairman and the non-executive directors.

All these facilities can help businessmen and women to bridge the gap between their experience as managers and their new responsibilities as directors. It is perhaps significant that, in recent years, the profile of the Institute's growing membership has been changing: the average age of members is falling; and the proportion of women members is rising.

John Hoskyns,
116 Pall Mall, SW1

Management courses somewhat delayed

From Mrs D.A. Stansfield.

Sir, Oxford University's urgent consideration of the introduction of undergraduate courses in management studies (Michael Dixon's article, November 21) is indeed timely. We are at the bicentenary of an earlier suggestion for the development of such a course.

At the end of a Memorial on the Present State of the Bodleian Library, a vigorous exposure of the library's deficiencies, addressed to the curators in May 1787, Dr Thomas Beddoes, formerly of Pembroke College, regretted that the University had "no institution for instructing the youth of a great commercial state in the principles of commerce and manufacture."

Dr Beddoes' suggested remedy, incidentally, might still appeal. He urged that, if the library had insufficient funds, both for books and for an adequate salary for the librarian, it should apply to Parliament. He could "discover no reason why an English should be inferior to a Scotch or an Hanoverian University."

Dorothy Stansfield,
62 Warwick Road,
Bishop's Stortford,
Hertfordshire

SAS want to turn BCal into a success

From Mr Nicholas Raemaekers.

Sir, Applaud as I may your leader "Wrong priorities in aviation" (December 7), I wonder whether you might not have been moved to strengthen your - I hope - influential condemnation of the Government's apparently insular position on a BCal-SAS deal ("depressingly narrow-minded") if the pace of events had allowed you to consider a blindingly obvious - and central - commercial point.

BCal is now a failure. SAS wants to invest in success. SAS lacks long-haul routes. BCal has them. SAS will want to turn BCal as it stands into a success, by channelling SAS's regional passengers - not now carried onwards by British aviation - into BCal's long-haul routes. How else could SAS credibly propose to avoid redundancies among BCal staff?

British Airways can hold out no such promise for British aviation.

If the effect of control and minority ownership of BCal by skull-and-crossbones Vikings is thus to expand British aviation, I dearly hope that Mr Tebbitt will remember, through his shame, that the lemming is also Scandinavian, and perhaps no more typical of our neighbours' behaviour than the pirate. Mr Tebbitt, however, who has at least one iron in the BA fire, no longer represents the Government.

Mr Channon does. There are moments of real opportunity when dragging one's feet without convincing cause amounts to culpable irresponsibility, even abuse of authority.

Nicholas Raemaekers,
Raemaekers,
Ivy Hall Farmhouse,
Wrotham,
Sevenoaks, Kent

Give BCal to British Airways

From Mr Stephen R. Baker.

I find the suggestion in your editorial ("Wrong priorities in aviation," December 7), that SAS's involvement with British Caledonian would benefit European air travellers, frankly ludicrous. I write as someone who has had to travel to Scandinavia on many occasions over the years, and of all the many air routes to Europe that have an arrogant disregard for the interests of consumers, those from London to Scandinavia must rank among the worst.

I lost a significant business opportunity in Stockholm when, after one of the M4's more solid seizures, I arrived later than intended at the SAS desk at Heathrow. There I was met with the insistence, in superior tone, that with "only" 32 minutes to spare I was "far too late" to join the aircraft.

32 minutes is over half an hour. In my business we can get quite a lot done in half an hour - we could certainly get someone without baggage onto an aircraft. SAS's final remark was that with the price it was charged to park at Heathrow, its advertised time of departure was the time the aircraft was intended to be in the air, not the time it left the terminal; no doubt this deception also helps SAS to brag about being punctual on arrival.

It is not good enough to parade the Swedes as the champions of British consumers. All SAS is concerned to do in this affair is to tighten its stranglehold on air routes to Scandinavia.

And please spare us the "little Englander" jibes. It should be clear, even to the privileged classes that work for the FT, that in the west today, the biggest business rewards go to those most capable of brutality: be they investment banks, Australian publishers or Scandinavian airlines. Contrary to what might be said through their public relations advisers, none of the west's "winners" has the least interest in consumers, employees, shareholders or voters - other than to exploit them. It is high time that newspapers such as yours stopped pretending that "little England," of all places, should play umpire.

Yes, give British Caledonian to British Airways. For all its many, many shortcomings, at least it has managed to persuade its people that their wages are paid by the passengers.

Oh, and double SAS's landing charges - at least until progress is made on opening up Scandinavian air routes.

Stephen Baker,
Asher International,
56 Howitt Road, NW3

Our experience was a nil return on investment in training

From Mr H.D. Watson.

Sir, I welcome the attention that the Financial Times gives to the importance of training in industry. The benefits of training are obvious, both to the recipient and the provider. However, it is often far from easy for a provider to obtain a return on investment in training.

There is a real cost in time, commitment and money, which the provider is unlikely to recover if the recipient decides to depart for pastures new immediately or shortly after the training has been completed.

It could be argued that this problem, in small companies, has a greater impact than in large companies. The main reason is that career progression in a small company is likely to be restricted, and the resultant limited opportunities necessitate great care in selection of employees for training and career development.

Short of a restrictive contract, there is of course no way to ensure that at the end of this "qualifying" period the chosen candidate will stay with the company. What value is there in a contract which ties a reluctant, dissatisfied and unwilling employee to a "prison sentence" of, say, four years or so?

Our own experience in this has been a nil return on our investment of money, commitment and time over a period of six years.

The potential of a young employee was perceived, in the early years of his apprenticeship, as worthy of development. He was given the opportunity to attend training programmes lasting six months, to develop a "basis of engineering skill," and was encouraged to attend technical college as a day release student to obtain an HND in electrical/electronic engineering.

This he did, with most impressive final results. An opportunity arose for him to take an electronics degree at university, and he asked if we would sponsor him. We readily agreed, and made a "gentlemen's" agreement that we would expect him to stay with the company for at least two years after qualifying. During vacations he had a job to come to, at full salary, and while at university a bursary was paid by us to supplement a full grant. The company assisted with materials and worthwhile projects, and we were also involved in counselling sessions when things seemed to be going wrong in the second year.

The end result was that immediately the employee qualified, despite what was considered to be a fair salary offer (above the average for graduates), he decided to go elsewhere.

We are a company which recognises the undoubted benefits of training. However, a "national standard" of the cost of training would help, with recipients aware that, if they decided to leave inside a specified time, they would repay to the provider some of the cost of their training.

H.D. Watson,
Council Member,
The Union of Independent Companies,
PO Box 186, SW7

FINANCIAL TIMES
Wednesday December 9 1987

Roderick Oram in New York reports on the city's most controversial building project in more than a decade

Casting shadows over Central Park

KING KONG requires little from a building, other than he should be able to climb it. Yet even he is no fan of the Coliseum project, New York's most controversial property development in more than a decade.

His dislike of the project puts him in distinguished company. Jacqueline Onassis, Paul Newman, Henry Kissinger and Walter Cronkite are some of the other celebrities who have campaigned for two years against construction of the building at a city-owned site on a choice corner of Central Park.

They claim city officials were caught up in New York's fevered real estate market, putting huge profits before their responsibilities as neutral referees between competing interests. The result would be a towering building, dubbed The Shadow, which will cast a pall over an enormous swath of Central Park.

"This building will do more to impair the quality of life in New York than any other building ever built in the city's history," Mr Kent Barwick, president of the Municipal Art Society, said earlier this year.

In recent days, though, the campaigners, led by the art society, a 95-year-old defender of the city's physical environment, have won two major victories, one legal and the other economic, which have severely jeopardised the prospects of the city's sixth tallest skyscraper being built.

Mayor Ed Koch was immediately upset because the city had already earmarked some of the $455m proceeds from the site's sale for this year's budget and for improvements to New York's rapid transit system. "If the project is not built, there will be fewer policemen, fewer sanitation workers, fewer teachers and substantially fewer dollars for transit," Mr Koch said.

The city had maximised its money from the land by allowing the developer to propose a building 20 per cent larger than permitted under planning rules.

A state judge ruled on Monday the sale was "null and void" because the city had ignored its own rules. "Zoning benefits are not cash items," he said. The city will appeal.

The economic setback was a chill portent of the damage that the city, increasingly dependent on the financial sector, could suffer in the aftermath of October's stock market crash. Salomon, the parent of Salomon Brothers, one of Wall Street's largest firms, got cold feet about being majority owner and prime tenant of a luxurious office complex in these straitened times. Following swingeing job cuts, it said last Friday it had plenty of room in its older and cheaper space down on the southern tip of Manhattan.


Drawing by Stevenson; copyright 1987 The New Yorker Magazine Inc
King Kong, Kissinger and Onassis - united in their dislike for New York's Coliseum project

Mr Mortimer Zuckerman, the property developer and magazine mogul behind the project, valiantly said he would find another partner, scale back the project, add appartments to it, support the city's appeal - and reduce his contribution to the city's coffers. The property market is already softening after the crash so he faces an uphill battle to rejig the finances of the project.

The site at Columbus Circle at the south-west corner of Central Park is one of the biggest and most prized in mid-town to come on the market in 50 years. Even a moderately tall building would offer spectacular views over the park, the Hudson and East rivers and the harbour and Statue of Liberty in the distance.

Few other tall buildings would block the view because the immediate area has been somewhat passed over by developers in the past few decades. Most of the big new buildings such as the Citicorp, IBM and AT&T skyscrapers have been built further south and east.

In 1982, the city changed the development rules of a large area of the west side in mid-town, stretching down from Columbus Circle, to encourage new buildings. The Municipal Art Society applauded the re-zoning as an attempt to spruce up this rather dingy neighbourhood.

The site is occupied presently by the Coliseum, a featureless 1950s concrete hunk built for trade shows and the like.

Following completion of a huge new convention centre on the Hudson, the city said it would tear down the Coliseum and sell the land. A developer who agreed to contribute to improvements to the highly inadequate local subway station, could be allowed 20 per cent more on the site than the zoning laws permitted.

The city called for proposals in February, 1985, and was greatly surprised by the large sums developers were willing to pay for the site. Many of the 15 proposals were openly derided by Mayor Ed Koch for their outlandishness. One was for a 130-storey tower which would have been the tallest building in the world.

Mr Zuckerman's Boston Properties was one of the front runners but it appeared to clinch its case by bringing in mighty Salomon as majority owner and prime tenant. They offered to pay $455m for the site, double the city's original estimates. In addition, their project would have generated $100m in annual tax revenue for the city.

Their architect, Mr Moshe Safdie, came up with a construction consisting of 68- and 58-storey towers with a window pattern that makes them look a little like a snake. They would be joined at the base by a glassed-in shopping complex which would curve along Columbus Circle.

The campaigners fought vigorously against the project on weighty issues of zoning and environmental impact.

The city planned to double its money by depositing the $455m in its own accounts and raising a matching ammount in bonds for the transit system. The money would have bought 400 subway cars, or 2,800 buses or 177 miles of new subway track.

But one man's eyesore is another man's vision. Last year, Mr Zuckerman paid $6m for a Fifth Avenue apartment from which he would enjoy a full view of his edifice, if he overcomes the mounting problems.

W. German minister supports EC attempt to end steel quotas

BY WILLIAM DAWKINS IN BRUSSELS

MR MARTIN Bangemann, the West German Economics Minister, supported in principle yesterday the automatic ending of all European Community steel quotas next July if producers fail to come up with adequate capacity cuts.

His announcement, during a meeting of the EC's Industry Council in Brussels, was the first time that Bonn has given anything like a formal blessing to the European Commission's attempts to end the system of output controls which has helped support steel prices for the past seven years.

Mr Bangemann explained that although he was unhappy with the prospect of an automatic end to quotas, he had to accept the idea on the grounds that the industry needed a clear signal to return to free competition.

Although Mr Bangemann is known for favouring a return to a free market for steel, this marked an important change in the position of West Germany, the EC's largest steel-making country which is normally hesitant over ending quotas.

Italy, Belgium, France and Greece continued, however, to oppose any automatic end to production controls.

But Bonn's latest shift does increase the likelihood that member states will be able to reach an accord at a final meeting to decide the industry's future on December 22.

As expected, yesterday's meeting failed to agree on the full terms of a Commission proposal to end most quotas in steps during the next six months to three years.

Industry ministers will try instead, to reach an accord on a softer version of the Commission's scheme. If they fail, the entire quota system automatically grinds to a halt on December 31.

Brussels wants to end quotas for merchant bar and wire rod by the end of the year - a point which no member state formally opposes - with hot and cold rolled coil to come out of the system automatically by July 1.

Quotas would also end on that date for heavy plate and sections unless the industry comes forward with major voluntary closures first.

A compromise prepared by Mrs Nils Wilhjelm, the Danish Industry Minister who chaired the meeting, asked the Commission to come forward with a fresh offer to extend quotas for hot and cold rolled coil until 1990 if the industry comes forward with adequate closures for the 10m tonnes of over-capacity in those products.

The other details of Brussels' original timetable would be unchanged by yesterday's compromise.

In the meantime, a working group of Commission experts and senior figures - possibly ministers - from the major steel-making countries would tour the industry to exert political pressure for adequate voluntary closures.

Britain and the Netherlands want the fastest possible end to a quota system their producers find inconveniently restrictive. However, yesterday's compromise goes a long way towards answering earlier calls from France, West Germany, Beligum, Luxembourg and Italy for a gentler return to a free market

Banks reach agreement on equity capital gains

BY IAN RODGER IN TOKYO AND ALEXANDER NICOLL IN LONDON

CENTRAL BANK governors of the leading industrialised countries have agreed to allow their commercial banks to include up to 45 per cent of unrealised capital gains on equity holdings as part of their capital.

They have also agreed that banks' capital should be raised to at least 8 per cent of assets by 1992.

These are key elements of a paper to be published tomorrow by the Bank of International Settlements and leading central banks. The central bank governors, meeting in Basle earlier this week, agreed on it as a basis for moving towards convergence of capital adequacy standards among members of the Group of Ten.

The paper, which follows months of detailed negotiations between industrialised countries after years of preparatory work at the BIS, will now be put to national banking associations for consultation.

The draft does not envisage banks having to meet the standards in one fell swoop. Instead, the 8 per cent basic ratio, the 45 per cent criterion for unrealised equity gains and other standards, would be phased in over a period of years.

The UK and the US, which launched the convergence initiative a year ago, had been concerned that Japanese banks, which operate with very low capital ratios, might not have the necessary stability to withstand a severe international shock.

They were also upset that low requirements gave the rapidly expanding Japanese banks a competitive advantage in international markets.

A statement issued by the BIS after the Basle meeting said the proposals had been developed "with the twin objectives of helping to strengthen the stability of the international banking system and removing an important source of competitive inequality for banks arising from differences in national supervisory requirements."

Despite broad agreement on the paper, however, officials acknowledge that differences both on the assets to be included in the calculations and on the definition of capital remain to be ironed and that tough negotiations still lie ahead.

Mr Kiichi Miyazawa, the Japanese Finance Minister, predicted at a news conference in Tokyo yesterday that the agreement would have no adverse effect on Japanese banks' international operations and that they could meet the proposed requirements. The capital ratio of leading Japanese banks is now about 3 per cent on conventional methods of calculation.

Summit faces next hurdle

Continued from Page 1

which would be eliminated is closer to between 30 and 35 per cent. This is because strategic bombers which carry nuclear bombs and short-range air-to-surface missiles would be counted as only one nuclear warhead, regardless of the number they actually carry.

Critics of the proposed Start treaty have also emphasised that it would permit the Soviet Union and the US to continue the unrestricted development and introduction of new weapon systems and thus pursue their technological competition, which is at the heart of the nuclear arms race.

Two main hurdles have to be overcome before a Start agreement can be reached. The first is the highly complicated issue of so called "sub-limits" which, in plain language means how the cuts would be divided up between land-based intercontinental ballistic missiles (ICBMs), sea-launched ballistic missiles (SLBMs) and air-launched ballistic missiles (ALCMs).

The US is particularly concerned that any agreement should bring about a reduction in the Soviet Union's superiority in long-range land-based ICBMs and that Soviet strategic nuclear forces should be more evenly distributed between the triad of land-based, sea-based and air-based systems.

Washington has proposed a sub-limit of 4,800 on warheads on land and sea-based ballistic missiles and a limit of 3,300 on land-based ICBMs. This would include the heavy Soviet SS-18 missiles considered to be the biggest threat to the US's 1,000 missile silos.

The US has also proposed a ban on mobile land-based missiles.

Moscow for its part has agreed in principle to a 50 per cent reduction of its heavy ICBM launchers, but has proposed a less detailed sub-limit formula, under which no more than 60 per cent of the permitted total of 6,000 warheads could be deployed on any one leg of the triad.

The second large obstacle in the way of an agreement is the disputed link established by Moscow between a Start treaty and curbs on President Reagan's Strategic Defence Initiative (SDI), the Star Wars space defense system, which scattled the last US-Soviet summit in Reykjavik in October 1986.

Minister may quit

Continued from Page 1

1975 and Spain's transition to democracy, to smooth the delicate path of any agreement with Madrid on Gibraltar's future.

Sir Joshua was last night reported to have told journalists: "I will tomorrow announce I am not going to stand again." Earlier, he had refused either to confirm or deny reports of his resignation.

A spokesman for the Governor said that the Chief Minister had not tendered his resignation yesterday and last night the British Foreign Office in London was reserving comment.

Sir Joshua is expected to inform his ministers today about his decision and to make a public statement shortly thereafter.

Mr Joe Bossano, leader of the opposition Socialist Party, yesterday again accused Sir Joshua of softening his position towards possible acceptance of shared use of the airport, so "betraying the people and the House of Assembly."

But Sir Joshua defended his stance. "I have made it abundantly clear to the British Government, throughout discussions over a period of several weeks, that we could not agree to any Spanish proposals which might run counter to my views and those of my colleagues or of the people whom we represent," he said.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	16	61	Dubrovnik	C	12	54	Malta	S	22	72	Rhodes	F	19	66
Algiers	S	20	68	Edinburgh	F	1	34	Manchester	S	1	34	Rio de J'o	C	28	82
Amsterdam	C	0	32	Faro	D	15	59	Manila	S	31	88	Rome	C	16	61
Athens	S	19	66	Florence	C	12	54	Melbourne	F	17	63	Salzburg	Sn	-3	27
Bahrain	S	20	68	Frankfurt	S	-2	28	Mexico City	-	—	—	San Francisco	R	11	52
Bangkok	S	26	79	Funchal	F	18	64	Miami	C	22	72	Seoul	C	7	45
Barcelona	S	15	59	Geneva	C	1	34	Milan	C	5	41	Singapore	R	27	81
Beirut	-	—	—	Gibraltar	R	16	61	Montreal	C	-7	19	Stockholm	S	-6	21
Belfast	F	4	39	Glasgow	C	-2	28	Moscow	C	-2	28	Strasbourg	S	-1	30
Belgrade	Sl	2	36	Guernsey	S	5	41	Munich	C	-4	25	Sydney	S	23	73
Berlin	S	-2	28	Helsinki	Sn	-10	14	Nairobi	F	27	81	Taipei	C	21	71
Biarritz	S	7	45	H. Kong	S	18	64	Naples	F	18	64	Tangier	C	15	59
Bombay		32	90	Innsbruck	Sn	-2	28	Nassau	S	26	79	Tel Aviv	S	21	70
Bordeaux	S	31	88	Inverness	C	2	36	New Delhi	S	20	68	Tenerife	Dr	18	64
Brussels	S	-1	30	Islamabad	C	19	66	New York	C	6	42	Tokyo	C	8	46
Budapest	C	1	34	Istanbul	C	12	54	Nice	F	14	57	Toronto	[illegible]	1	34
B. Aires	S	25	77	Jakarta	R	30	86	Nicosia	C	17	63	Tunis	F	22	72
Cairo	S	24	75	Jersey	S	4	39	Oporto	S	13	55	Valencia	S	15	59
Cape Town	S	22	72	Jo'burg	S	25	77	Oslo	F	-2	28	Venice	C	7	45
Caracas	C	28	82	Lima	S	24	75	Paris	S	0	32	Vienna	S	-2	28
Casablanca	R	15	59	Lisbon	C	12	54	Peking	S	8	46	Warsaw	S	-3	27
Chicago	Fg	5	41	London	F	5	41	Prague	S	-4	25	Washington	F	2	36
Cologne	S	-1	30	Los Angeles	C	19	66	Reykjavik	C	6	43	Zurich	C	-2	28
Copenhagen	S	1	34	Luxembourg	S	-3	27								
Corfu	F	18	64	Madrid	C	12	54								
Dallas	S	9	48	Majorca	F	15	59								
Dublin	F	5	41	Malaga	-	-	-								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

BP takes a 15% stake in Britoil

Continued from Page 1

pany, received a stake in all licences awarded by the Government.

Despite its enviable porfolio of assets, the company has often been regarded as one of the least well managed of the UK independents, and the City of London has frequently been critical of its reluctance to use its strong balance sheet as a basis for doing deals.

Britoil was until yesterday the only UK independent without a big shareholder. A substantial rationalisation of the sector is now expected, with Rio Tinto-Zinc free to make a full bid for London and Scottish Marine Oil, in which it owns a major stake, later this month.

The excitement over the BP raid yesterday spilt to the rest of the independent oil sector, with Lasmo shares rising 21p to 237p and Enterprise Oil by 19p to 230p. BP shares closed unchanged, while Britoil rose 81p to 266p.

BP did not declare itself as purchaser of its stake until after the market closed last night, leaving analysts and market markers free to speculate over the identity of the buyer.

During the day possible bidders as diverse as British Gas, the Sultan of Brunei, the Barclay twins, Rio Tinto-Zinc, Conoco and Enterprise Oil were all cited as likely predators.

One incidental effect of the purchase would be to worsen BP's ratio of debt to debt plus equity, which was otherwise expected to fall to a little above 30 per cent by the end of the year.

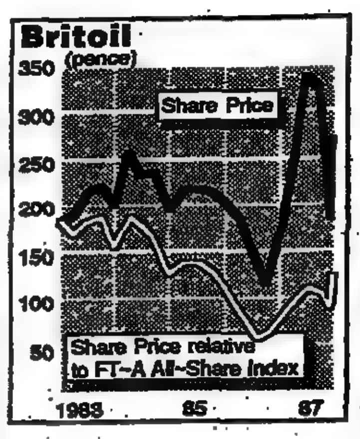
A full purchase of Britoil for cash would move the ratio back up towards 40 per cent, which BP regards as uncomfortable and would make BP less attractive to possible predators.

THE LEX COLUMN

BP gets its own back

There is a certain irony about BP's dawn raid on Britoil. Having suffered the ignominy of acquiring an unwanted major foreign shareholder, courtesy of the UK Government's heavy handed approach to the sale of the last of its BP shares, it has now lobbed its own hot potato into the lap of the government, presenting it with the awkward decision of whether it should support the continued independence of Britain's biggest independent oil company. There is a school of thought that having brought Britoil to market at the beginning of the great bull market, at the princely price of 215p, the Government would be well advised to bail out Britoil's beleaguered shareholders by cancelling its golden share which prevents a takeover. However, there will no doubt be plenty of noise from the Scottish lobby, in particular, if the Government decides to do BP a favour.

The latter asserts that it has had no promises that the golden share will disappear and, for the moment, sees its planned 29.9 per cent stake as a long-term investment. Unlike the other independents which have a substantial takeover premium built into their share price, Britoil, because of the golden share, has always traded at a much bigger discount to the market. Investors have viewed it as a trading play on the oil price. This has now changed with the emergence of BP and Britoil is likely to be priced in future more closely in line with the other oil companies. While the Government might be annoyed, BP's interference could ginger up Britoil's management, which has, until now, lived rather comfortably in the belief that the company was takeover proof.



Dee Corporation

Dee Corporation's shares have been wrapped in gloom for so long that yesterday's interim figures could only add shading round the edges. In itself, the 19 per cent drop in pre-tax profit was not unexpected, nor even the 26 per cent plunge in earnings per share. The absorption of Fine Fare into Gateway was always going to be slow and costly, and there seems no reason to doubt that it is still on course. But the £5.5m loss from Herman's sports shops in the US is a different matter, especially given the bearish noises Dee is now making about US consumer spending after the crash. Any investor who recalls past UK companies reporting teething problems with US acquisitions can be forgiven for flinching.

Herman's also presents Dee with a fundamental problem of image. The bull story about Dee on the way up was that Gateway would build volume through acquisition and the pricing advantages gained from economies of scale, and that it would then settle down as a low-growth generator of enormous cash flows. Dee's management would then divert that cash into exciting new areas such as selling ski equipment in the US. If Herman's is unlucky enough to be badly hit by a US recession, the grand strategy falls down and Dee goes back to being a rather dull UK food retailer.

Granted, there is a price for everything. Forecasts for the full year are necessarily vague, but if earnings are only a few percentage points down from last year the shares at 157p are on a multiple of 10, or perhaps 10 per cent below the market average. The downside is now probably limited by the yield, though on the upside any earlier talk of a bid now looks wide of the mark. As a basic food retailer Dee might have its attractions, but it is hard to see investors warming to it while they are waiting for news of ski clothing sales in Vermont.

Securitisation

In the heady days of the bull market one of the fastest growing areas of financial innovation was the so-called "securitisation" of assets as bankers converted illiquid loans into marketable securities. The advantage for the lenders was that it helped free up bank balance sheets while it offered cheaper credit to borrowers by tapping new sources of funding. In the US the process has gone a very long way with everything from car loans and credit card balances to household mortgages being securitised into all sorts of new-fangled instruments, and the craze has begun to catch on in the UK where a secondary market in domestic mortgages, for example, is beginning to emerge.

But as the Bank of England's latest consultative paper suggests, the authorities have become concerned at the growth of the phenomenon. This is partly because no one has much of an idea of its scale, but more important because there is a fear that some of the new securitised instruments have been structured in such a way that it is not always clear which institution or investor bears the ultimate risk of any loss of capital or income. The worry is that the authorities may over-react to the perceived problems associated with the rapid growth of securitisation, which perhaps explains why the Bank stresses that its paper is by no means the final word on the subject.

B&C/Abaco

Yesterday's news of a British & Commonwealth bid can scarcely avoid provoking a bit of a corporate identity crisis at Abaco. But whatever value the company attaches to independence – a quality which has helped it attract a string of successful professional firms keen not to sink in corporate anonymity – it cannot buck the market. A classic bull market stock, Abaco can claim the dubious distinction of being one of the UK financial sector's worst performers since the crash; its share price has fallen from a high of 123p on October 8 to 54p at yesterday's suspension.

With its paper so heavily devalued, the strategy of rapid acquisition was bound to stutter and stall without strong capital backing from a partner. The alliance was already half-made in any case. B&C held a 27.5 per cent stake before the bid; top managers have been swapped between the two companies, and B&C chairman John Gunn made it clear yesterday that he has been waiting for such an opportunity. He has clearly decided that the price is right and the logic of the shift to fee-earning businesses compelling. The market, though, seemed to find a multiple of 24 times earnings a bit rich, marking B&C's shares down 7p to 288p.

Icahn tells SEC he may double Texaco holding

BY JAMES BUCHAN IN NEW YORK

MR CARL ICAHN, the US investor who is playing a key role in moves to settle the long-running dispute between Texaco and Pennzoil, says he has bought stock in Pennzoil and may double the big Texaco block he already holds.

In a filing with the Securities and Exchange Commission, Trans World Airlines – which is controlled by Mr Icahn – said it might seek to buy more than 25 per cent of Texaco, the giant oil company which is operating in bankruptcy to prevent enforcement of a $10.3bn damages judgment awarded to Pennzoil.

Since last week, Mr Icahn, who is known as a successful takeover specialist, has had control of 12.3 per cent of Texaco for an investment of almost $550m.

In the filing, Mr Icahn also revealed that he had acquired a position in Pennzoil.

Senior executives of the smaller Houston company believe he has between 1 and 2 per cent.

Mr Icahn's announcement is apparently designed to maintain pressure on both companies to settle their dispute, although talks between both chief executives – Mr James Kinnear of Texaco and Mr Hugh Liedtke of Pennzoil – in New York on Monday could produce no agreement.

The dispute arises from Pennzoil's allegation that Texaco's purchase of Getty Oil in 1984 interfered with its own contract with Getty.

Texaco has threatened to appeal the case to the US Supreme Court.

Mr Icahn is believed to fear that unless the two companies agree on a settlement soon, the case could become embroiled in litigation before the Supreme Court and the bankruptcy court.

Because of bankruptcy, Texaco pays no dividend on its stock, so that Mr Icahn's holding is expensive to finance.

Lawyers claim a breakthrough in Reksten saga

BY KAREN FOSSLI IN OSLO

FINDINGS from an investigation which is claimed to be a breakthrough in the search for the hidden shipping fortune of the Reksten family will be presented to a Bergen court today by two Norwegian court-appointed lawyers, Mr Kristian Roll and Mr Jens Kristian Thune.

Their report alleges that Guinness Mahon, the UK merchant banking group, assisted the Reksten family in organising funds outside Norway which, they say, deprived their creditors which are owed about NKr3bn ($465m).

The case, which has been running for more than 25 years, is a saga of truly Nordic proportions. Mr Hilmar Reksten, who died in 1980, is accused of moving out of Norway the fortune he earned as a tanker owner during the 1970's Middle East wars.

Allegations

In their report, the two lawyers allege that Guinness Mahon played a key role in helping the Reksten family spread the fortune between various companies registered in several countries.

In court they say they will pursue a three-fold strategy which includes freezing the assets managed by the family; gaining access to information or documents about additional assets belonging to the trust; and that they will put forward a claim for compensation against those involved in the affair.

In this role the lawyers will claim that Guinness Mahon is obliged to pay "several million kroner" in compensation to a trust account – set up with Den norske Creditbank (DnC) – and which will be divided between Reksten's creditors.

Guinness Mahon, which acted as one of the family's bankers for about 30 years from the end of the Second World War, said yesterday it would contest any claim.

"There is absolutely no basis whatsoever for a claim against us," said Mr Michael Kerr-Dineen, managing director of Guinness Peat, the bank's parent.

'Ancient history'

The bank's lawyers, Herbert Smith, had vetted its files and confirmed that it was not liable, he said, adding that the case was now "ancient history".

"It is very difficult to see what new information can come up that we don't already know about."

Mr Thune and Mr Roll have already spent about NKr50m attempting to discover where the Reksten fortune has been stashed. Several cases are pending in different countries.

The Norwegian lawyers have succeeded in freezing three London properties owned by Mr Reksten's widow and daughter. Several bank acounts have also been frozen until judgment is made by the courts.

Foreign banks

The Norwegian lawyers allege in their report that several foreign banks, including some located in London, Dublin, and the Cayman Islands, will be implicated.

They allege that the banks played a leading role in building up the Reksten family's foreign activities, which they claim were financed by illegal funds, and that many of these activities are probably still going on.

Aker Stord, the shipyard which was one of the biggest creditors, claims that it was never paid a cancellation fee for an order for nine tankers placed by Mr Reksten in 1976.

B & C in £189m agreed bid for UK service group

BY STEVEN BUTLER IN LONDON

BRITISH and Commonwealth Holdings, the UK financial services conglomerate, yesterday launched an agreed £189m ($338m) bid for Abaco Investments, the British professional services group whose rapid string of acquisitions had brought on board businesses ranging from estate agencies and loss adjusters, to insurance and morgage brokers.

Mr Cameron Brown, Abaco managing director, said the deal would allow Abaco to proceed at full speed with its expansion strategy, which had ground to a halt after the steep fall in its share price in the past six weeks. Abaco shares were suspended at 54p on Monday, after falling from a peak of 123p on October 8. Mr John Gunn, B & C chairman, said they were prepared to provide full backing for Abaco's acquisitions, and that the deal fitted in with B & C's strategy of shifting emphasis toward fee-earning businesses in which B & C did not put its own capital at risk.

"We have been very keen on Abaco from the time we first got involved in the company and have been very pleased to support it in its strategy," he said.

B & C has been a major Abaco shareholder for about two years, and owns 27.5 per cent of outstanding shares. It owns or has received undertakings to accept the offer accounting for 47 per cent of shares, including a 9.4 per cent stake owned by Standard Chartered Bank and 4.4 per cent by Canada Life Assurance.

Abaco and B & C have enjoyed an exceptionally close relationship, and three B & C directors, Mr Gunn, Mr Peter Goldie, and Mr Rusty Ashman, also sit on the Abaco board.

An eventual takeover by B & C had always been considered likely, although it had been feared that this could dilute Abaco's corporate identity as a management company for professional services before the structure of the company was fully formed.

Mr Brown admitted that an adjustment period would now have to take place during which Abaco would have to demonstrate that it could operate independently under B & C ownership. Mr Gunn said B & C would not involve itself in the day-to-day management of Abaco.

The offer consists of one share of B & C for each 10 Abaco shares, plus 40.5p.

Mr Gunn said the crash in the market had brought the Abaco share price back to a more reasonable level

He added that the broad decline in share prices had had a neutral effect on B & C's business with equity assets under management of Gartmore declining, but with the group benefiting from the shift of assets into gilts.

Lex, Page 26

US retail unit seeks Chapter 11

By Robert Gibbens in Montreal

DYLEX, Canada's largest chain of specialty stores, with annual sales of more than C$2.5bn (US$1.92bn), says its main US affiliate will seek protection under Chapter 11 of the US Bankruptcy Code, after two years of heavy losses.

Only a month ago, Brooks Fashion Stores won breathing space when its bankers agreed to take second place behind trade creditors. Then Dylex wrote off its C$153m investment in Brooks and a smaller chain. But Dylex was to continue interest payments on Brooks' debt.

The decision for Brooks to seek Chapter 11 protection was reached because of its deteriorating financial position, said Mr Wilfred Posluns, Dylex's president. About half Dylex's sales come from the US, but its acquisition of Brooks several years ago have proved a serious drain on profits.

Dylex said the filing will have no further effect on itself, since it had written off its Brooks investment.

Navistar posts large profit gain for year

BY RODERICK ORAM IN NEW YORK

NAVISTAR INTERNATIONAL, the largest US producer of heavy and medium duty trucks, has shown a sharp improvement in profits thanks to higher shipments of heavy trucks and diesel engines and reduced interest expense.

The Chicago-based company turned in net profits of $54m on sales of $1bn in the fourth quarter ended October 31. A year earlier it reported a loss of $50m on sales of $925m, which included a charge of $66m from revaluing securities in Tenneco, the diversified US industrial conglomerate.

For the full year, Navistar had net profits of $33m on sales of $3.5bn, compared with $2m on $3.4bn a year earlier. This year's profit came after a first-quarter charge of $113m for early redemption of four debt issues which will save the company $86m a year on interest payments.

The redemptions were part of a huge recapitalisation completed early in the year which transformed Navistar's balance sheet. Long-term debt fell to $191m, or 23 per cent of total capital, at the end of the fiscal year from $729m or 93 per cent a year earlier.

Shareholders equity increased to $643m from $53m. The recapitalisation made for complicated per-share earnings figures. For the full year, net profits were 3 cents per share on an average 239m common shares compared with a loss of 14 cents a share after preferred share dividends on the basis of 89m common shares.

In the fourth quarter, Navistar's sales of heavy trucks increased by 16 per cent to 9,200 and diesel engine sales increased 31 per cent to 19,400. For the full year Navistar retained its leadership of the combined medium and heavy duty truck markets, with 82,400 trucks representing a 26 per cent market share compared with 81,500 or 27 per cent a year earlier.

Heavy trucks rose 12 per cent to 30,100 units while medium trucks were flat at 53,400. Diesel engine shipments slipped to 81,700 from 90,700.

Cannon draws up major diversification strategy

BY RAYMOND SNODDY IN LONDON

CANNON, the controversial international film company which came near to collapse in the past 18 months, is drawing up diversification plans with its new partner, Interpart, a Luxembourg-based company.

Mr Menahem Golan, one of the Israeli-American cousins who run Cannon, said yesterday: "We aim to develop to have not only motion pictures under our roof."

Mr Golan said in London the group was looking at such areas as tourism, hotels and travel agencies. Any diversification would be with Cannon's new partner, which has interests in tourism, and would depend on a satisfactory settlement to civil suits against Cannon in the US.

In October, it was announced that Cannon was selling its cinemas in the UK, the Netherlands and Italy, as well as Elstree Studios in the UK, to Renta Inmobiliaria, a listed Spanish property company controlled by Interpart and would then lease them back.

Under the deal, Cannon would now receive $338m, Mr Giancarlo Paretti of Interpart said in London yesterday. The company also plans an equity investment in Cannon.

Interpart holds a 50 per cent stake in a further company, Intercorporation, which now effectively controls the Cannon group and in which Mr Golan and his cousin Mr Yoram Globus each have a 25 per cent stake.

In future, Cannon will be run by a four-man executive committee, made up of Mr Golan, Mr Globus, Mr Paretti and his associate Mr Frederic Scheer.

Mr Golan said the company planned to make 20 pictures a year for the next three years.

John Deere bounces back into profit

By James Buchan in New York

JOHN DEERE, the world's largest farm equipment company, yesterday reported a turn from loss into profit in the three months to October, as it recovered from last winter's crippling five-month strike and enjoyed a stronger market in North America.

But the group, which is based in Moline, Illinois, warned that it expects to continue operating next year way below its available capacity.

Deere reported net income of $32.6m, or 48 cents a share, in its fourth quarter to October, after losing $139.7m in the 1986 quarter, when production was halted by a strike. Some of the improvement was provided by income tax benefits of $39.9m made possible by previous years' losses.

Alcatel close to merging TV sets side with Nokia

BY PAUL BETTS IN PARIS

ALCATEL NV, the telecommunications group controlled by France's Compagnie Generale d'Electricite (CGE), is in advanced negotiations aimed at merging its West German television set manufacturing operations with those of Nokia, the diversified Finnish consumer electronics group.

Although Alcatel is also discussing partnership deals with other consumer electronics groups, it confirmed yesterday that the negotiations with Nokia were by far the most advanced.

CGE took control this year of the television set business of Standard Electrik Lorenz (SEL), the large West German telecommunications subsidiary of ITT of the US, following the merger of the telecommunications interests of CGE and ITT.

However, the West German television business never fitted comfortably with CGE's essentially heavy industrial and professional electronics and telecommunications operations. Moreover, CGE also felt that the German television operations, which have 5,600 employees, and produce about 1.2m colour sets a year for sales of DM1.4bn ($838.3m), lacked the critical size to compete in the longer term in this highly competitive sector of the consumer electronics market against larger Japanese and European manufacturers.

Pierre Suard: decided to accelerate talks

Although Mr Pierre Suard, the CGE chairman, has said on several occasions that he was not in any great hurry to resolve the strategic problems facing SEL's television operations, he has now clearly decided to accelerate the negotiations to find a partner for the German television business.

For its part, Nokia, which produced about 700,000 sets last year, has also been seeking to increase the size of its television activities. After taking over the Swedish Luxor television operations and those of Salora, another Finnish company, Nokia acquired Oceanic, a French colour set manufacturer, from Electrolux three months ago. Oceanic, a former French ITT subsidiary which Electrolux took over in 1980, produces about 200,000 sets a year.

If finalised, the proposed partnership between Nokia and SEL would be the latest example of the increasing trend of concentrations in the consumer electronics market.

This year Thomson, the French state-controlled defence and electronics group, acquired Thorn-EMI's Ferguson division in the UK and General Electric's RCA consumer electronics business in the US.

Bull plans to raise FFr1bn by rights issue

By Our Financial Staff

MACHINES BULL, the state controlled holding company for the French Bull computer group, plans a rights issue to raise around FFr1.02bn ($180m).

The company said yesterday that it would increase the nominal value of its shares from FFr24 to FFr120 before pushing ahead with the rights issue, which would be launched on December 22.

The terms of the rights issue are to be one-for-one at FFr127 a share. The Government, which has a 90 per cent shareholding in Machines Bull, will take up its entitlement to the new shares.

The Bull group, which made net profits of FFr271m on sales of FFr7.8bn in 1986, announced earlier this year that it planned a massive fund raising operation to finance a joint venture with Honeywell of the US and NEC of Japan.

It said it would seek some FFr1.8bn in fresh finance, partly through a share issue and partly through a bond issue with warrants.

Roussel Uclaf lowers forecast

BY OUR FINANCIAL STAFF

ROUSSEL UCLAF, the French chemicals company which is part of the West German Hoechst group, yesterday substantially downgraded its profits expectations for 1987 as a result of the weakness of the dollar.

Excluding extraordinary gains, the company said that profits this year would show a decline of around 25 per cent from the FFr519m ($91.7m) achieved in 1986. This forecast compares with earlier expectations of a 15 per cent reverse for profits in 1987.

Roussel, which is 54 per cent owned by Hoechst, one of Germany's leading chemical groups, said turnover would most probably emerge at around last year's level of FFr10.45bn.

However, the company has been badly hit by the fall of the dollar. The weakness of the US currency has clearly narrowed margins on a large slice of its business.

For the first nine months of this year Roussel's net profits moved up from FFr301m to FFr418m. But the 1987 outturn includes an exceptional profit of around FFr200m following the disposal of a perfumes business.

Roussel sold its Parfums Rochas operations to the German Wella group in June following a period of difficult trading for Rochas, which had been having a poor time in Middle Eastern markets.

Excluding the exceptional gains, third-quarter net profits fell from FFr91m to FFr68m to leave earnings for the nine months trailing at FFr 218m, against FFr301m for the corresponding 1986 period.

Preussag sees small profit

PREUSSAG, the West German metals group, said yesterday that it expected only a small profit in 1987, although third-quarter sales rose 13 per cent in comparison with the second quarter, writes our Financial Staff. The company declined to comment on the outlook for dividends in 1987 but said that much depended what happened to the dollar.

Earlier this year Preussag warned that it might be forced again to omit its dividend. The group passed the payment in 1986 following heavy losses by its base metals division.

Schindler boosts Japanese stake

BY JOHN WICKS IN ZURICH

SCHINDLER HOLDING, the Swiss parent company of the Schindler group, has taken control of Nippon Elevator Industry, the Japanese manufacturer.

Within the framework of a capital increase, no details of which have been disclosed, Schindler has increased its stake in the Japanese company from 30 to 51 per cent. At the same time, its partner, Jardine Matheson, has doubled its shareholding from 10 to 20 per cent.

Schindler, which had already been co-operating with Nippon Elevator in the field of technology exchange, sees the transaction as a move to strengthen its position in the "sophisticated and dynamic" Japanese lift and escalator market.

Nippon Elevator Industry has just opened a production facility at its plant in Fukuroi. The company has 309 employees and is said to be fully equipped to manufacture, assemble and maintain modern Schindler products.

A sharp fall in order inflow to Sulzer, the Swiss foundries group, has prompted it to introduce short shifts at two plants. About 675 workers are affected by the 20 per cent reduction in hours.

The company said decreased spending for plant and equipment following the stock market crash in October and the weaker dollar was depressing new orders for cast products, but it declined to give specific figures for the drop. Order inflow to other divisions was steady, it added. How long the short shifts would last depended on future developments.

Arbed acquisition

Arbed, the Luxembourg steel group, has acquired the outstanding 50 per cent stakes in two French steel distributors from Cockerill Sambre, the Belgian steel maker. Arbed now owns Hardy-Tortuaux and Cofrafer outright, writes our Financial Staff.

INTL. COMPANIES & FINANCE

HK Telecom public offer shelved

BY KEVIN HAMLIN IN HONG KONG

CABLE AND WIRELESS, the UK telecommunications group, and the Hong Kong Government have postponed indefinitely plans to float 11 per cent of Hong Kong Telecommunications, a new holding company which comes into being in February through the merger of the British company's two local operating companies.

The merger itself will go ahead according to the orginal plan announced on October 19, with the quoted Hongkong Telephone and Cable and Wireless (Hong Kong) to be amalgamated under the Hong Kong Telecommunications umbrella. The offer to the public of further shares in the reconstituted operation has now been put off because of the market collapse since then.

Cable and Wireless now owns 79 per cent of HK Telephone, which holds a franchise to provide local telephone services. The remainder of the local company's equity is in public hands. The UK group also owns 80 per cent of Cable and Wireless (HK), which has a monopoly on international telecommunications services into and out of Hong Kong – the remaining one-fifth there is held by the Hong Kong Government.

The merger proposal includes the Government exchanging its 20 per cent stake in Cable and Wireless (HK) for an 11 per cent holding in Hong Kong Telecommunications.

Both the Government and Cable and Wireless were to sell 5.5 per cent parcels of HK Telecommunications shares to the public, reducing their stakes in the new company to 5.5 per cent and 74.5 per cent respectively, and boosting public participation to 20 per cent.

Cable and Wireless said yesterday that adverse market conditions made the sale inappropriate, but added that both it and the Government intend to go ahead with the public sale when market conditions permit. A statement from the company said: "The form and timing of such offering and the number of shares to be sold will be kept under close review."

The slide in equity values since the original announcement has slashed the market capitalisation of the new holding company by some HK$42bn (US$5.38bn) to about HK$50bn, but it will still be at least twice as big as any other company listed in Hong Kong.

The group said Cable and Wireless (HK) will record attributable profits of not less than HK$1.72bn for the year ending next March, a 24 per cent increase, and that HK Telephone's attributable earnings would be up at least 25 per cent to HK$1.17bn.

HK Telephone shareholders are expected to benefit from an 82 per cent increase in dividend payments forecast by HK Telecommunications for the current year to March.

The new company is indicating a dividend payment of 36.4 cents for every two shares held (HK Telephone shareholders will exchange each existing share for two shares in the new company), which would compare with 20 cents per share under HK Telephone's dividend policy.

Fletcher takes Chilean option

BY OUR FINANCIAL STAFF

FLETCHER CHALLENGE, the New Zealand forest products and industrial group, has taken full control of a Chilean forestry and newsprint venture by paying US$72m.

It bought out the half share owned by Compania Manufacturers de Papales y Cartones (CMPC), its local partner, by exercising an option negotiated in November last year when Fletcher put $50m into what was then a new venture.

The Auckland-based company is currently moving to consolidate interests in the Americas – last month it launched a NZ$745m (US$476.4m) bid to buy out the public shareholdings in British Columbia Forest Products and Crown Forest Industries, its two Canadian units.

The Chilean venture owns 35,000 hectares of radiata pine forest and a 74,000 tonne newsprint and paper mill. Fletcher said the company has export potential of 200,000 cubic metres to 300,000 cu m of pine a year.

Fletcher, which ranks as New Zealand's largest private sector company, estimates that the operation would increase its own profitability by up to 2 per cent. An official said that the assumption of full control was a strategic move which would strengthen New Zealand's influence in marketing radiata worldwide.

Chile exported about three times New Zealand's 400,000 cu m of saw logs, he added, and it was important that common standards were developed by the two dominant countries in radiata.

In Vancouver, meanwhile, Fletcher Challenge Investments said it had now satisfied key US antitrust requirements in its move to buy the holding in BC Forest Products it does not already own.

Fletcher said it has satisfied waiting periods under two US antitrust laws. This suggests that it will move soon to buy shares in the market taking it beyond the 50 per cent wonership threshold despite the resistance of the BC Forest board to its offer for full control.

Fletcher now holds 49.9 per cent BC Forest, and its C$19 a share bid remains open until December 22.

NZ Forest Products, Fletcher's main rival in its home market – and the target of a thwarted bid attempt by Fletcher over the past year – said separately yesterday that it had taken a near-15 per cent stake in North Broken Hill Holdings, the Australian paper products and mining company.

This came through a purchase from Rada, an investment company which is a quarter owned by NZFP and which has a 44 per cent cross-holding in NZFP. Rada, which has been carrying substantial paper losses since the October market collapse, has now sold it a half-share in an unlisted Australian company called Caspal, the holder of the North BH stake.

NZFP said the price, yet to be fixed, would be based on a formula reflecting North BH share price movements over a specified period but would not be less than A$3 a share. This compares with a current market price for North BH of A$2.50.

Foreign brokers earn less in Japan

By Ian Rodger in Tokyo

FOREIGN stockbroking houses in Japan increased their business dramatically last year, but their aggregate profits plunged because of the entry into the market of a large number of firms which made heavy start-up losses.

According to a survey by the Japan Financial Journal, commission income of the 37 foreign securities firms operating in Japan in the year to September 30, 1987 rose 71 per cent to Y110.7bn ($832.6m). However, their combined pre-tax profits fell 31 per cent to Y845.8bn.

Ranked by commission income, Morgan Stanley of the US was the largest of the foreign brokers, with income of Y15.1bn in the year to September. Salomon Brothers of the US followed with income of Y14.5bn and Merrill Lynch was third with Y12.6bn.

The others in the top 10 by this criterion were Goldman Sachs (US), Jardine Fleming (UK-Hong Kong), Vickers da Costa (US), First Boston (US), S G Warburg (UK), Prudential-Bache (US) and Barings (UK).

Based on operating profit, Salomon Brothers was the largest, with profits of Y26.2bn last year, according to the survey. Most of the foreign securities companies are expecting tougher times in the current year because of the recent exodus of foreign investors and the decline in trading volumes on the Tokyo Stock Exchange.

Canfor and Oji in joint project

BY ROBERT GIBBENS IN MONTREAL

CANFOR CORPORATION, British Columbia's third largest forest products group, plans to expand its kraft pulp mill, near Vancouver, and install a new newsprint machine in a C$635m (US$484.4m) joint project with Oji Paper, Japan's biggest paper maker.

Howe Sound Paper Company, a new company owned equally by Canfor and Oji, will handle the project. Canfor will contribute its Port Mellon pulp mill and a sawmill and chipping plant, and Oji will put in C$307.5m cash.

This amount, plus C$327.5m raised from borrowings and Howe Sound cash flow, will be used to raise capacity at the pulp mill from 650 tonnes to 1,000 tonnes a year and to install the newsprint machine with 195,000 tonnes a year capacity. The pulp mill expansion will be complete in 1990 and the newsprint machine will be in production in 1991.

Oji officials said in Tokyo that most of the products would be exported to Japan to meet an expected increase in national demand for newsprint.

The partners plan a second newsprint machine as soon as markets justify it.

CSR in further brick venture

BY CHRIS SHERWELL IN SYDNEY

CSR, the Australian building products, sugar and resources group, has agreed to spend A$75m (US$52.4m) to acquire a 50 per cent stake in a brick and pipe-making venture with Brickworks, the largest brick producer in New South Wales.

Brickworks, which has a plant near Brisbane in Queensland, said it had received several approaches but found the joint venture with CSR the most attractive.

The CSR move is one of several the group has made since it decided to concentrate its activities in building products and sugar rather than resources.

In recent weeks it has made a A$317m bid for two timber companies and acquired two building materials companies in the US for A$110m. It has also bought a plasterboard accessories company in Canada and entered a plasterboard joint venture with Redland of the UK.

As part of its expansion into brick-making activities, it has in addition recently purchased an 18.3 per cent stake in Brick & Pipe Industries. Other major shareholders in the company include Mr Ron Brierley's Industrial Equity and Hong Kong's Swire group.

On the joint venture with Brickworks, Mr Ian Burgess, CSR's chief executive-elect, said the group was "entering into a partnership with the best and lowest-cost producer of clay bricks and pipes on the east coast of Australia."

Brierley lifts stake in Wellesley

By Dai Hayward in Wellington

BRIERLEY INVESTMENTS has increased its stake in Wellesley Resources, a New Zealand property company, to 29.6 per cent.

Wellesley shares, along with the rest of the market, have dropped in price over the past few weeks and BIL took advantage of the lower share price to pick up 4.5m shares at NZ$1.04.

Mr Ron Brierley, BIL's chairman, has said more than once since the October share crash that there were some good opportunities available. The latest move gives BIL another 3 per cent of Wellesley.

BIL has also improved its offer for Cable Price Downer by 10 cents to NZ$2.70 a share. It already owns 42 per cent of the construction group and is making a full bid.

Deborah Hargreaves on the battle over off-exchange trading

Hybrids fight to escape regulation

LAST WEEK'S decision by California-based Security Pacific National Bank to sell its nascent electronic options trading system to a New York securities firm is part of the fall-out of a protracted debate in the US over instruments traded away from established exchanges.

As Mr Michael Caggiano, Security Pacific's chairman, explained: "We decided to sell the system rather than to allow it to undergo even further delays in its operation." Developed in 1985, the system, which would trade options on US government securities, has been stalled for two years and was under a moratorium until March next year.

A welter of obstacles has been thrown in the system's way since its introduction was announced. Indeed, in an unusual spirit of co-operation, the three Chicago futures and options exchanges filed a lawsuit against the Federal Reserve Board for giving it the go-ahead last year.

Concerned about unfair competition from a system that does not have to bear any of the costs of regulation, Chicago's exchanges have lobbied - so far unsucessfully - for the system to be classified as an options exchange.

The futures and options exchanges are concerned that off-exchange instruments would not be subject to the same kind of financial controls that they are. "We face very explicit capital requirements and our clearing organisations are solid," explains Mr Ken Cone, director of regulatory research at the CME. "The off-exchange market is by definition not as clear-cut."

Lack of regulatory commitments enables off-exchange instruments to operate on very different cost structures. This increases the financial risk both to those who buy and those who sell these instruments, the exchanges argue.

Security Pacific's system is just one of the many ingenious instruments - often closely resembling futures and options contracts - which continue to proliferate in the US over-the-counter market.

The long-running debate over whether and how these products should be regulated has become even more pressing in the chastened financial environment that has followed October's stock market collapse.

Federal law is clear in demanding that any futures contract must be traded on a central exchange and that options trading be subject to certain regulatory rules. But the key issue all along has been how to define a futures or an options contract.

"The concept of what is a futures contract is very, very muddy," explains Mr Stephen Selig, a lawyer at Baer, Marks & Upham, who works with the Commodity Futures Trading Commission (CFTC), "and nowhere has it been defined."

Nevertheless, the CFTC has recognised the need to replace its hitherto piecemeal approach to the over-the-counter arena with a definite strategy. In the last four months, "the CFTC has moved much, much further than in its entire history," towards this end, according to one Chicago exchange official.

At a meeting yesterday in Washington, a CFTC task force proposed a framework for at least defining certain futures and options "look-alikes" – known as hybrid instruments. These instruments – like an oil-linked bond issued by Standard Oil last year and certificates of deposit linked to stock indices – have their returns based on that of a commodity and represent by far the fastest growing off-exchange area.

Once a skeleton is accepted for identifying them, the CFTC can decide whether individual hybrids should be regulated or left alone. This judgment will depend on the commodity component included in their make-up. In the absence of guidelines, the CFTC has up till now decided its approach to a particular product on a case-by-case basis.

A recent action was against a gold market certificate sold by Wells Fargo in California. The CFTC contended that the certificate, the return on which was based on a percentage of the performance of gold in a given period, was in essence a cash-settled option. This was upheld by a US district court, which issued an injunction against the sale of the certificate.

The urgent need for regulation of these products is so that "people who purchase them are at least made aware of their risks and rewards," stresses Mr Selig. Another factor is the need to discourage fraudulent operators.

Yet the CFTC is also considering no-action rules on products that are traded between "commercials" or firms that already have a professional relationship with each other.

Several observers feel the concern for the retail customer often expressed by the established exchanges is nothing more than an excuse to thwart potential competitors.

"I can't understand why the Chicago exchanges are being such absolute blockheads about it," says Mr Steve Lynner, developer of Security Pacific's options trading system. "I don't see them as competitors...we should complement each other."

Mr Lynner, who will follow his system to its new owner, RMJ Securities, a subsidiary of Exco International, the foreign exchange brokerage group, admits to being frustrated with the time it has taken to get the system off the ground. He insists it will not compete unfairly by undercutting rates charged by the existing exchanges.

Security Pacific, which has not disclosed the terms of the sale to RMJ, says it will continue to operate as a clearing organisation for the options system. However, the Chicago exchanges have not dropped their lawsuit and say they are awaiting more details of the sale before they make a decision.

Mr Lynner says he has seen solid interest from primary dealers in New York in the options trading system. He is also eager to extend the system to additional products if it proves successful with government securities.

"This debate is not going to go away," declares Mr Ken Cone of the Chicago Mercantile Exchange. "It's a very slippery animal. As soon as you devise rules, someone will come up with something that gets round them."

Norway approves 1% share turnover tax

THE NORWEGIAN parliament has formally approved a 1 per cent share turnover tax, proposed earlier this year by the minority Labour government. It will come into force on January 1, 1988 **Reuter reports from Oslo.**

The tax, approved late on Monday night, will be split equally between buyers and sellers. It will apply to all dealings in domestic and foreign shares listed in Oslo and in Norwegian shares listed on foreign exchanges.

The new law was enacted despite the Oslo bourse committee's recommendation to parliament not to impose the tax after the crash in world stock prices.

The Oslo stockmarket has fallen by 45 per cent from its record high in mid-September. The bourse committee and brokers have criticised the tax, saying the market needs a stimulus rather than a measure that will dampen trading interest. They have argued that the tax could hurt liquidity and drive foreign investors from the Oslo exchange.

The turnover tax forms part of the 1988 budget and was originally intended to bring in an extra NKr300m ($46.3m). It is not clear whether this figure will now have to be revised downwards.

An attempt by the government to impose a 2 per cent turnover tax in May was defeated in parliament.

Multi-option facilities for two French groups

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

THE LIST of French companies arranging cheap bank financings grew longer yesterday, as mandates were announced for two further multi-option facilities.

Societe Generale launched an Ecu150m facility for **La Redoute,** the retailer. With a maturity of five years, extendible to seven, the financing carries a facility fee of 6.25 basis points and a margin over interbank rates of 12.5 basis points, whether drawings are in French francs or in other currencies.

There is a utilisation fee of 3 basis points if more than one-third used and 6 basis points if more than two-thirds used.

Credit Commercial de France was also awarded the mandate for a FFr750m five-year multi-option facility for **Compagnie Bancaire,** the finance group.

Two sterling commercial paper facilities were announced. **Tesco,** the stores group, has a £150m programme arranged by Midland Montagu, with Barclays de Zoete Wedd and Kleinwort Benson also acting as dealers.

Dealers on a £100m programme for **English China Clays** are BZW, County Natwest and S G Warburg.

● **Reed International,** the UK publishing group, is launching a US commercial paper programme to raise up to $400m.

Banks rush to buy French brokers

By Paul Betts in Paris

A NEW spate of acquisitions of Paris stockbrokers by large international and French banks is expected to be announced tomorrow, following the approval by the National Assembly last week of new French stock market legislation enabling French brokers to open up their capital to outside shareholders.

The latest batch of acquisitions is expected to involve as many as seven separate deals, three of which involve large foreign banks.

The three international banking groups are understood to include County Bank, the investment banking subsidiary of National Westminster, Amro, the large Dutch bank, and Barclays de Zoete Wedd (BZW), the investment banking arm of Barclays Bank.

The other four deals to be announced by the French stockbrokers' association tomorrow will all involve French financial institutions.

County Bank's proposal to acquire control of a French broker would bring to four the number of UK banks which are planning to invest in a French brokerage business. The first London-based group to announce plans to buy a French broker was James Capel, the Hongkong Bank subsidiary, followed by SG Warburg and BZW, which emerged at the end of last week as the bidder for Puget, one of France's 10 leading broking firms.

Although a string of other French and international banks – among them, JP Morgan and Swiss Bank Corporation – have already announced deals with French stockbrokers, the latest transactions will be by far the single biggest batch of acquisitions to be announced simultaneously.

The new law allows stockbrokers to open up their capital to outside partners in stages between the beginning of next year and 1990.

Most of the banks acquiring stakes in French brokers eventually intend to control between 70 per cent and 80 per cent of the capital of the firms they are taking over.

The latest spate of deals is seen by the French authorities as an important component in increasing the international competitiveness of the French deregulated financial markets.

The authorities are understood to be especially keen to see a large West German institution invest in a French brokerage firm. So far, however, no German bank has announced its intention to acquire a French broker, although banks from several other countries have done so.

The authorities have also been worried by the increasing turnover in recent months in French blue chip stocks on the London market. On some days, turnover in leading French stocks has been higher in London than in Paris.

The authorities hope that the acquisitions of French brokers by large international banks will enhance trading in Paris and make the bourse more international and competitive.

Sir Nicholas Goodison, chairman of the London Stock Exchange, yesterday acknowledged during an address in Paris to the Franco-British Chamber of Commerce that overseas business was now approaching domestic business in London. But he argued that a strong market in London helped to strengthen other markets and increase their turnover.

Speaking about the challenges facing capital markets as a result of the 1992 unified European market in goods and services, he said that deregulation had to be pursued.

The two other key priorities, Sir Nicholas said, were the need for greater co-ordination of tax policies and the freedom of capital movements in all European countries.

French water group buys Accor stake

GENERALE des Eaux, the diversified French water treatment group, has acquired a 5 per cent shareholding in Accor, the hotel and restaurant group, Our Financial Staff writes.

An executive of Generale des Eaux said the move was a friendly one, made in full cooperation with Accor. Generale des Eaux did not rule out buying further Accor shares, but said nothing was planned in the short-term.

Paris analysts said they were not surprised by the move. The two companies have plenty of common ground, including restaurant and property businesses.

Activity still sluggish as year-end approaches

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

ACTIVITY ON international bond markets continued at a sluggish pace yesterday, as investors started to close their books before the year-end.

The Euro D-Mark sector continued to digest the recent spate of new issues: DM375m of them on Monday following DM1.38bn last week. At the shorter end, prices were little changed while at the longer end, they dropped by about ½ point. Dealers said the firmer dollar and proximity to the end of the year had subdued activity.

The DM300m issue for **Swedish Export Credit,** carrying a 5⅜ per cent coupon and 100⅜ issue price as announced late on Monday, met a good reception, mainly from institutional investors in Europe. The issue, the first straight D-Mark bond to be led by Morgan Stanley, was quoted at a discount well within fees of less 1⅜ bid, compared with total fees of 2 per cent. Some 23 banks have agreed to join the deal.

The domestic sector was quiet, with prices little changed. The Bundesbank announced 35-day repurchase agreements at the anticipated rate of 3¼ per cent, in line with the two previous agreements. The agreements will replace some DM11.8bn being drained from the banking system. The Eurodollar sector was again extremely quiet, with little price movement on the day. The US Treasury bond market provided no leadership with trading subdued ahead of Thursday's announcement of US trade figures for November.

There were again no new issues and the troubles of the market were underlined by reports of a $250m issue for **New Zealand** in the Yankee bond market in New York through Morgan Stanley. The price talk suggested a reoffer price for the five-year issue at around 70–75 basis points above US Treasury rates. That is at least 10, and possibly 20, basis points cheaper than a successful issue would have required in the Euromarket, dealers said.

INTERNATIONAL BONDS

There was more activity in Euroyen, however. Prices firmed up to ¼ point in the five-year area and were unchanged to ⅛ point higher in the 10-year sector. Dealers cited an improving Japanese government bond market, with the benchmark yield closing at 4.74/72 per cent in London yesterday, 9 basis points down on the day.

The secondary market was reasonably active. European investors, concerned that they might be caught by changing Japanese withholding tax regulations next year, are said to be switching out of the government bond market and into Euroyen, where withholding tax will not apply. The switching was centred in the five to seven-year maturity area.

In the Swiss franc bond market, the single new issue was for the **Victorian Public Authorities Finance Agency.** The SFr118m issue, guaranteed by the State of Victoria, carried a 15-year maturity – the longest maturity seen in the market since mid-August.

Lead-managed by Union Bank of Switzerland, it carried a 5⅜ per cent coupon and a 101 issue price. Australian official borrowers are popular in Switzerland but have been rare visitors to the market this year. The pricing was felt to be fair, though there were doubts about whether the maturity would be attractive to investors. In secondary trading, the Swiss foreign bond market was busier than on Monday. Prices were little changed, although prices of bonds for some popular borrowers saw price gains of ¼ to ½ point. For example, an issue for the **City of Yokohama,** of SFr100m with a 5 per cent coupon over 10 years, gained ½ point to 101¾, compared with its 100¼ issue price.

National Bank seeks control of inspectorate

BY HILARY BARNES IN COPENHAGEN

THE DANISH bank inspectorate, which is an agency under the Ministry for Industry, should become a part of the National (central) Bank, Mr Erik Hoffmeyer, governor of the bank, has proposed.

This follows three cases since 1984, two of them this year, in which commercial banks have gone bust with substantial losses.

In the most recent case, the central bank was caught with unsecured loans of DKr369m ($57.6m) outstanding to C&G Bank, a small niche bank which was closed down in September.

Mr Hoffmeyer warned that if the central bank is not able to take over the inspectorate, it will have to reconsider the right which commercial and savings banks enjoy to borrow from the central bank without collateral. The borrowing right is related to each bank's equity capital.

Mr Hoffmeyer argues that the inspectorate's resources and operational framework are no longer adequate to the problems with which it is faced, especially in situations where banks have been able to run up very big losses within a very short period.

HK finance for Evergo

CHINESE ESTATES, a subsidiary of Evergo, the Peking-backed industrial group, has obtained a HK$1.45bn (US$185m) credit to finance its purchase of two commercial buildings from Hongkong Land, **Reuter reports from Hong Kong.**

Standard Chartered Asia, lead manager of the financing, said it and co-lead managers Citicorp International and Sanwa International Finance will arrange the eight-year syndicated loan.

The loan carries interest of 1¼ per cent over the Hong Kong interbank offered rate (Hibor) for the first four years and 1⅛ over Hibor for the remainder.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 8

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅛ 92	200	92⅛	93	−0⅛	−0⅛	9.66
All Nippon Air 9⅞ 97	100	92¾	93¼	−0¼	0	10.55
American Brands 8⅞ 92	150	96½	97¼	−0½	−0¼	9.65
A/S Eksportfinans 7⅞ 96	100	90⅞	91⅜	−0⅛	−0¼	9.44
A/S Eksportfinans 7¼ 92	150	92⅞	93¼	−0⅛	0	9.36
Barc. Bk. Fin. 10¼ 89	200	†101⅞	102⅜	−0⅛	−0¼	9.05
Belgium 9⅛ 92	400	98¾	99¼	−0¼	−0⅛	9.38
British Telecom 7⅞ 96	250	85¾	86¼	−0⅛	−0¼	10.09
British Telecom 8⅞ 94	150	96	96½	−0⅛	−0¼	9.64
Canada 9 96	1000	96½	97	−0¼	−0⅛	9.58
Canadian Pac 10⅛ 93	100	101⅞	102¼	+0⅛	−0¼	10.26
C.C.C.E 7¼ 97	113	93½	94	−0¼	+0⅛	9.10
C.N.C.A 7¼ 92	150	93	93½	−0⅛	+0⅛	9.33
Coca–Cola Ent. 8¼ 90	100	99	99½	−0⅛	+1⅛	8.55
Credit Lyonnais 9 91	200	99½	100	−0¼	+0⅛	9.07
Credit National 7⅞ 92	100	93⅜	93¾	−0⅛	0	9.19
Credit National 7¼ 91	150	93⅝	94⅛	−0⅛	−0¼	9.13
Denmark 7⅛ 92	300	91⅞	92⅜	−0¼	0	9.60
Denmark 8¼ 91	300	97	97½	−0¼	+0¼	9.15
E.E.C 7 91	100	93⅜	93⅞	0	0	8.97
E.E.C. 7¼ 93	250	91⅛	91⅝	−0¼	0	9.33
E.E.C 8¼ 96	100	90½	91	−0⅛	−0⅛	9.89
E.I.B. 7⅞ 93	100	91½	92	−0⅛	0	9.48
E.I.B. 9⅜ 97	150	96⅞	97⅜	+0¼	−0⅛	9.88
Finland 7⅞ 97	200	86⅞	87⅜	−0¼	−0⅛	10.09
Finland 7½ 93	200	91⅛	91⅝	−0⅛	−0⅛	9.50
Ford Motor Cred 11½ 90	100	105⅛	105⅝	−0⅛	0	8.54
Gen Elec Credit 10¼ 00	200	101¾	102¼	−0¼	−0⅛	9.95
G.M.A.C. 8 89	250	98⅞	99¼	−0¼	−0⅛	8.94
G.M.A.C. 8¼ 89	200	99½	100	−0⅛	+0¼	8.46
Hoesch 8¼ 97	100	†89¼	89¾	0	+0¼	10.02
Hoesch 7⅞ 92	100	†94½	95	0	0	8.88
Hoesch 7⅞ 94	300	†91½	92	0	+0½	9.67
Liberty Mutual 8½ 96	150	†90¾	91¼	−0¼	−0⅛	10.10
L.T.C.B of Japan 8 91	200	96	96½	−0¼	+0⅛	9.22
L.T.C.B. of Japan 8 97	200	85¼	85¾	−0⅛	−0⅛	10.54
Merck–Benz Cred 8¼ 92	100	98⅝	99⅛	−0⅛	+0⅛	8.54
Mitsubishi fin. 7⅞ 93	100	90¼	90¾	−0¼	+0⅛	10.05
[illegible]						

Investment

Some coins more equal than others

LONDON, 15. October. The multitude of coins available today places many a novice in a quandary. They are offered in all sizes and designs, and at all price levels through ads in the dailys or at banks or coin dealers.

Caveat emptor. Not all that glitters is a coin. Basically, there are five different types.

1. Bullion Investment Coins. Gold bullion investment coins are sold solely for the intrinsic value of the precious metal. They are produced in large numbers by major gold producing countries, such as Canada, Australia and U.S., thus are traded at a small premium over the actual price of the metal. As they are a pure investment vehicle, like gold bars, they have no numismatic value. They are favored over gold bars by investors as a store value, as they are more transportable and easier to trade. The value is easy to keep track of, as their price is based upon the daily fixing of gold.

2. Numismatic Coins. In general, these are coins which are bought by collectors for their beauty, as opposed to the value of their precious metal content. However, a truer definition would include those coins struck prior to 1804. The price has no relation whatsoever to the actual value of the metal. The factors determining the price of a coin are rarity, age, and condition or quality of the striking.

3. Semi-numismatic Coins. These are coins that were struck after 1804, however prior to 1850. The same criteria as those used with numismatic coins are used in determining their value. The buying and selling of one of these coins is, however, easier since they are available in greater quantities than those struck prior to 1804.

4. Current Coins. Current coins are those struck after 1850 and were in circulation during the time of the gold standard. There are still large quantities of these coins available today. The price is related to their gold content plus a fairly high agio.

The collecting of numismatic and semi-numismatic coins can also be considered a form of investing, however usually it is merely a rather expensive hobby. Current coins fall into a category between hobby and investment, since they also maintain ... value, even if the price of precio... should fall.

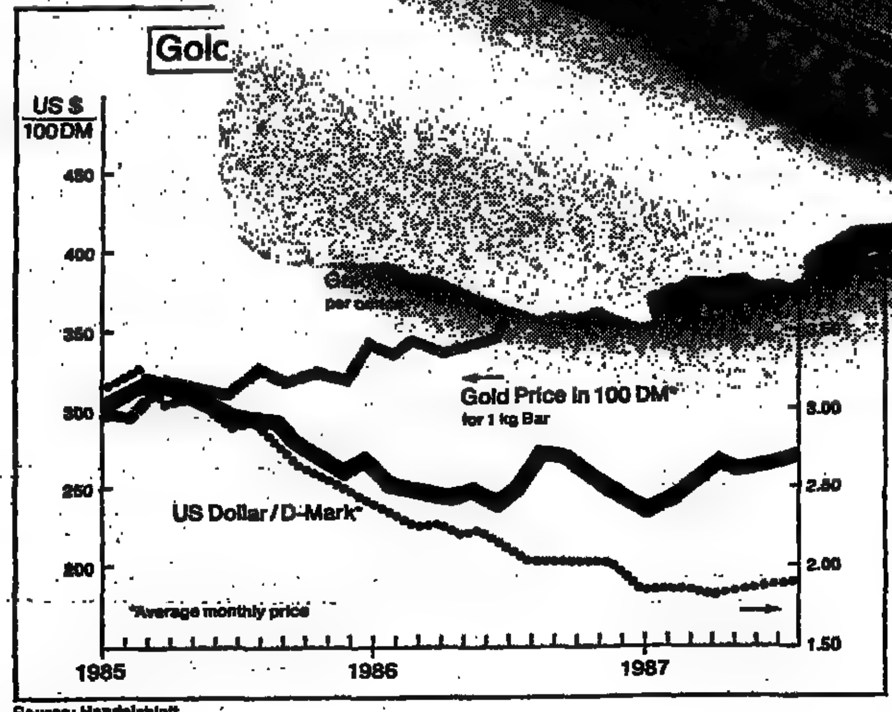
5. Medallions. ... lectables, but ... an investme... at some ... annivers... value is ... and t... ally ... ar... of ... r...

Is ... in...

NEWYORK ... blems in the ... United States ... ing the expert... health of the ... question if this ... or are more ... closing, resulting ... all their customer... point to similarities to ... to the crash of '29, just ... have arguments to point o... different. This adds to the ... uncertainty that ... around for a safe h... before it is lost to ... failure.

All paper instru... or securities, are s... tions caused by i... control of fina... government bodies. ... out that precious me... gold, offer the ideal store of v... value is intrinsic and not a... that of paper money.

Gold is international ... to the fortunes of any ... banking system. It can bri... sense of security, as it is ... surance policy a... would come in a b...



Source: Handelsblatt

Cavelti "Time-proven investment"

Since the price of gold was freed in 1970 to move with market forces, it has risen to new heights, and fallen just as often.

Precious metal and finance experts continually try to analyze the price development. But, the gold metal remains unpredictable. Rising or falling dollar exchange rates, wars, and financial crises are no longer a guarantee for a rise in the price of gold.

The peak in the price of gold was reached at $850 for one ounce in 1980. Currently, the price ranges between $400 and $500. In spite of this, investment advisors recommend to follow the golden rule – hold ten to fifteen percent of an investment portfolio in gold.

The reason is simple, explains Peter C. Cavelti, President and Chief Executive Officer of Cavelti Capital Management Ltd. in Toront, Canada, and an internationally recognized expert on precious metals: "Gold is an unbeatable investment vehicle that protects prosperity at all times, even during crisis." Cavelti has banking experience in U.S., Africa and Asia and belongs today to the most sought-after precious metal advisors.

Gold Maple Leaf makes a breakthrough

World's gold coin standard / Grows in popularity / Even attractive for small investor.

OTTAWA, 15. October. Gold, prized as a store of wealth over the ages, has not lost its shine even in the age of high technology and cashless transactions. This has been felt recently by the Royal Canadian Mint. According to a spokesman for the Mint, demand for the Gold Maple Leaf, the Canadian gold bullion coin which is struck in four sizes, has recently been brisk. Observers of the financial world contribute this to various factors. The primary reason is felt to be its universal recognition which ensures ease of trading wherever gold is sold around the world. Of almost equal importance is its unusual purity of .9999 or 24-carat. Most other gold coins rarely exceed .916 or 22-carat, the purity of the South African Krugerrand (which is no longer being produced).

A further aspect is that the Gold Maple Leaf is legal tender in a country known for political stability and for being a dependable trading partner. Since the coin is easily convertable currency, it is sold in most countries free of a value added tax. This is true in Luxembourg, Switzerland and Austria, *while a minimal tax is charged* in Belgium (1%) and Holland (4%).

Since the Gold Maple Leaf is struck in four sizes, it is able to satisfy the varying ... needs of all investors. It is ... one full troy ounce of pure ... 1/2, 1/4 and 1/10 ounce of ... es the coin attractive

the benefits of owning gold. The Gold Maple Leaf, which has been available since 1979, is produced only from gold mined in Canada.

This accounts for its unusual yellow color compared to coins mixed with alloys. The use of Canadian gold is a requirement of the charter of the Royal Canadian Mint and it serves to support the Canadian mining industry. Gold was first discovered in Canada in 1858 and has been continually mined ever since. Canada is currently the third largest producer of gold in the world.

This objective is clearly being fulfilled, as indicated by sales results of the Canadian coin. Since its introduction in 1979, over 10 million Gold Maple Leaf coins – that's over 300 tons! – have been sold around the globe. The biggest jump came in 1985, when sales doubled. This was caused by a favorable price of the precious metal and an increasing interest in this bullion investment coin, following the demise of the South African coin.

Why do more and more investors prefer bullion coins to its cousin, the gold bar, or wafer as it is sometimes called? One key reason is their liquidity – a coin enjoys universal recognition and can't be counterfeited. Gold bars may enjoy a solid reputation in their local market, however usually require a ... and time-consuming assay in other p... of the world. Gold bullion coins are ... by governments, whi... ...ight and...

respect, the Royal Canadian Mint is *especially strict. Although the purity of each Gold Maple Leaf is given as .9999*, it is actually closer to .99995. The weight on each coin is strictly controlled, with the weight struck on the coin being a minimum guaranteed by the Government of Canada. Independent tests have even shown that the coins are all above the minimum, showing that the Royal Canadian Mint gives a little gold away to ensure they meet the guarantee. No other coin has yet to show similar results.

It is fair to point out that a gold coin, and a bar for that matter, provides the owner with no interest. However, it can be still considered an investment instrument, but for other reasons. This is because it is a speculative object. But, more significantly, gold has been proven over time to be the surest store of value. Gold bullion coins will not multiply but, as the saying goes, they bring peace of mind. They can anchor a portfolio that is made up primarily of more speculative instruments, as they will gain in value when others are losing theirs. Inflation and economic crisis only eat up other investments, while feeding the value of gold. That's why most experts agree that 10 to 20% of a portfolio must be in gold. An ideal way to keep this golden ... with Gold Maple Leaf bullion ... With no guarantee of the fut... economy, it is comforting t... purity and weight are ... liquidi...

...mendation of most banks a... experts, in every individual... portfolio. The question is ... best way to own gold?

The choice between bullion co... bars, certificates or a precious me... account depends upon the wants and needs of the individual investor. In addition, such aspects to consider are the availability of gold, the possibilities for resale and also personal taste of the ultimate owner.

Weight and Purity. Traditionally, the gold trade has dealt in troy ounces – one troy ounce equals 31.1035 grams. Today, however, the metric weight system is also accepted and used, thus gold is available in grams, kilos and tons.

Of particular importance is the purity or fineness of the gold. With small bars, *or wafers as they are sometimes called*, and the leading bullion coins, such as the Gold Maple Leaf, a purity of .9999 is normal. This means that the given piece contains no more than one ten thousandth of foreign matter. However, it really means that a greater purity is not possible nor really necessary.

Coins – solid and liquid. One differentiates, more or less, between numismatic coins and newly minted coins, or the so-called bullion investment coins. Nu-

... coins ... 1 ounce, ... nce – so that inv... gold to meet their ... s or needs.

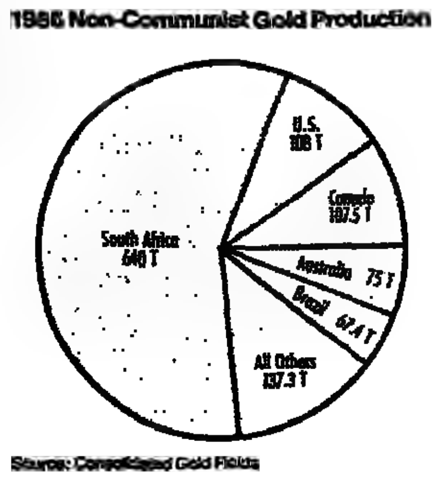
Most bullion coins enjoy international recognition and cannot be counterfeited. They can be exchanged for cash on demand most anywhere in the world where gold is traded. This contrasts to gold bars, which have been known to be counterfeited, thus usually require an assay to determine their purity. This is not only costly for the seller, but also takes time and requires formalities. The price of the leading coins can be found in the financial pages of most major newspapers. Or it can be determined from the daily fixing of gold. Many countries impose a sales tax on gold coins, as well as bars.

Bars – Familiar but not universally recognized. The majority of bars sold today range from 1 gram up to 12.5 kilograms. The small bars are produced at a purity of .9999 fine gold. The trade accepts only bars from a reputable refinery which have a serial number. When there is

...gbars, ... coins, ... Taxes vary by ... usually similar to ... The price is directly rela... fixing of gold, which is qu... ounces.

Gold Certificates – Paper as good as gold. The advantage of this form of investment in gold is that no tax is levied on the ownership of gold. The precious metal remains in the possession of a bank, which usually maintains this in a no-tax area. The disadvantage is that there is usually a minimum purchase amount, that varies from bank to bank – for example 10 Gold Maple Leafs or 500 gram bars – which makes this form unattractive for small investors. Another factor is that one doesn't have possession of the gold, which reduces some of the psychological benefit of owning gold.

1986 Non-Communist Gold Production



Source: Consolidated Gold Fields

Investment can also be beautiful

FRANKFURT, 15. October. The Royal Canadian Mint created not only a *major bullion investment coin*, but also a coin recognized and appreciated around the world for its beauty. Although this is not the main criteria in choosing an investment instrument, many find added value in the quality of the design and striking.

As with all Canadian currency, the front depicts the effigy of Queen Elizabeth II, reflecting the historical relationship with England. The reverse side shows the symbol of Canada, a maple leaf, which has been captured to perfection by the engraver.

Prominently displayed are also the key facts about the coin, such as its origin; value (either $50 Cdn, $25 Cdn, $10 Cdn or $5 Cdn); weight (either 1, 1/2, 1/4, or 1/10 ounce); purity – .9999; and date of striking. The first coin was struck in 1979.

One Eagle that doesn't fly

FRANKFURT, 15. October. Anonymous sources in banking circles in ... kfurt, Zürich and London ... that the U.S. Eagle is not ... g the same level of success in ... as it has in its home market. ... uropean investor continues to ... ore traditional gold products ... as small bars or the better ... blished Gold Maple Leaf. ... rts say that less popular coins ... do not enjoy the same liquidity ... he popular coins.

... leading ... ing statis... households ... the assets. This ... on in the late 20's. ... ely led to the current ... the middle and ... ety are over-extended ... borrow. The result is ... k placed upon the ... Parallel to this is ... in speculation ... few, forcing the ... limits daily. The ... w long can the ... out before it ... is subject is ... the forefront ... d financial

... and downs of gold coin

... WAN, 15. October. Recent reports ... indicate that the coin from ... stays down under in sales ... r competitors. After ini... cess in markets without ... tors, the Australian ... ving down. Sales of ... le Leaf, recently ... uickly eclipsed ... wealth partner. ... onymous sources in gold trading circles attribute this to the stronger *international position of the Canadian* bullion coin, which ensures tradability and liquidity.

Gold production up.

OTTAWA, 15. October. With a yearly production of over 100 tons (107 tons in 1986), Canada is third largest producer of gold in the non-communist world.

The first discovery was made in 1858 at Cariboo, British Columbia. Today, forty-one mines produce the majority of this precious yellow metal. However, *prospectors still roam* the backwoods, searching for the hidden lode and dreamed-of riches.

The greatest amount of gold is mined in Ontario. Recent discoveries in the region around Hemlo made headlines around the world and boosted share prices. The main reason for the jump was the revised estimate of the gold reserve in this area: before the discovery reserves were felt to be around 130,000 *ounces – today they are known to be* closer to 17 million fine ounces of pure Canadian gold. Enough to keep the Royal Canadian Mint busy striking Gold Maple coins to meet the needs of investors around the world.

Fine Fare and Gateway integration hits Dee

BY MAGGIE URRY

MR ALEC MONK, chairman and chief executive of **Dee Corporation**, the food retailer, blamed the disruption caused by the integration of Fine Fare with Gateway for a fall in the group's interim pre-tax profits from £78.2m to £63.6m. Turnover rose by 5.5 per cent to £2.62bn.

In the 28 weeks to November 7 trading profits from Gateway fell by 3.1 per cent to £68.6m on sales 2.6 per cent higher at £1,826.5m.

When the Fine Fare chain was acquired in June 1986 Mr Monk predicted it would take three years to reshape the business. Yesterday he was sticking to that timescale, though saying that the worst of the adverse effects were now over.

He expects Gateway to make up the shortfall in the second half, partly because that period will include both Christmas and Easter, and also because the benefits of the expansion and refurbishment programme would begin to come through.

As well as a programme of closing small stores, and refurbishing other shops, the introduction of new ranges of goods throughout all the stores had been disruptive for Gateway as well as Fine Fare.

In July the accounting systems had been integrated. This move had initially revealed a high shrinkage rate at Fine Fare, of 2.6 per cent on average with one shop at 21 or 32 per cent. Mr Monk felt this to be an accumulation of previous problems. Shrinkage, which includes shoplifting, and write offs of damaged and out-of-date stock, is 0.8 per cent at Gateway.

Gateway was not the only problem area, though. A £7.2m swing into trading losses of £6.5m was suffered by Herman's, Dee's US sporting goods chain, although turnover rose by 6.5 per cent to £170.2m. A rapid expansion programme taking Herman's into new areas had caused unusually high costs for advertising, overheads and warehousing.

At Herman's the future was less predictable since the stock market crash might affect consumer attitudes. Sales since the market fall had been mixed, Mr Monk admitted. Because of this uncertainty Mr Monk could not predict that profits for the group in the full year would be higher than last year's £192.2m pre-tax.

There were problems, too, at Linfood, the cash and carry wholesaler, which saw a drop in trading profits from £5.2m to £3.2m. Here the blame was laid on problems in the cigarette trade where prices were cut to shift excess stocks built up before the budget in anticipation of an increase in duty which did not occur.

Other parts of the Dee group had fared better with trading profit gains at Wellworth, the Northern Ireland chain, from £4.4m to £4.8m, and at Digsa, the Spanish business, from £1.0m to £1.3m. Medicare, the chemist chain, made a maiden contribution of £500,000.

The pre-tax profit figure includes profits on property transactions of £300,000 compared to £1.3m. Interest charges were up from £4.5m to £7.2m, after capitalised interest of £4.4m (£4.3m). The tax rate rose from 21.1 to 28.1 per cent. Earnings per share were 25.7 per cent lower at 5.2p, and the interim dividend is being maintained at 3p.

See Lex

Flexpack boost for Redfearn

BY HEATHER FARMBROUGH

Redfearn, the glass, plastic and flexible packaging group, announced a 59 per cent increase in pre-tax profits to £4.1m against £2.6m for the year to September 27.

This was on turnover 19 per cent higher at £70.2m. The pre-tax profit figure included a two-month contribution of £173,000 from Flexpack. At the time of the acquisition in July, Redfearn forecast pre-tax profits of £3.6m.

Glass contributed about three times as much as plastic to profits, and showed more pronounced growth. Mr Arthur Church, chief executive, said profits from PET plastic bottles had grown by less than the group would have liked.

The early summer created an unexpected demand for soft drinks, forcing Redfearn to buy pre-formed bottles from other suppliers, thus reducing margins on PET.

Glass capacity was cut by 30 per cent during August and September because one furnace was out of action.

Capital expenditure over the year was £8.6m, but strong cash flow helped reduce gearing to 8 per cent.

Earnings per share rose 36 per cent to 49.69p (36.43p) while there is a proposed final dividend of 6.5p, giving a total of 9.5p for the year (6p).

Mr Church was confident that a new style of management at Flexpack would revive low morale and justify the potential of the acquisition.

● comment

The company's optimism yesterday reflects years of hard slog cutting costs and improving marketing mix. PET should contribute more in future, with markets growing at about 16 per cent a year. While glass is less exciting, the UK industry is at least less susceptible to imports and Redfearn is better placed to increase its market share. Having bought Flexpack, the company's goal is to offer a one stop packaging service. But it will have to overcome some scepticism about the Flexpack acquisition first. On forecast profits for 1988 of £6.5m, it looks good value on a prospective p/e of 6½ times and a discount to the market of 25 per cent.

BBB Design ahead midway

In the half year ended October 31 1987, the **BBB Design Group** lifted its pre-tax profit from £342,000 to £373,000 on turnover of £1.2m, against £1.19m.

Group activities cover graphic design, specialist marketing, and publishing and printing services. Each section was expected to contribute to profits this year.

Overall, the group should achieve a satisfactory result in the current year, against £806,000 in 1986-87, and that should provide a sound base for a "cash generative and profitable future".

After tax £181,000 (£120,000) earnings worked through at 2.92p (2.68p).

Spurs adds to its clothing interests

By Philip Coggan

Tottenham Hotspur, the Stock Exchange's only listed football club, has acquired Martex and Stumps. However, the duo is not a pair of beefy defenders signed to replace the recently departed Richard Gough, but two clothing companies.

Spurs already has a clothing subsidiary, Hummel, which sells a range of casual wear that has proved popular with fans of the football club.

Whether the supporters will be quite so eager to buy the new ranges is less certain. Martex imports and distributes ladies fashion-wear; Stumps, as the name suggests, sells a range of cricket clothing and tennis clothing and tracksuits under the "Nicholucci Sport" label.

The two companies are inter-related and will be acquired for an initial payment of £1m in cash, £1m in loan notes and 500,000 ordinary shares. Deferred consideration up to a maximum of £1m is payable, dependent on future profits.

In the year ending September 30, 1987 the companies made combined pre-tax profits of £363,000 on a turnover of £3.5m. They are expected to produce a "substantial" increase in profits this year.

The acquisitions are part of Tottenham's strategy of diversifying away from football and into leisure activities. Such diversification seems particularly timely after the team's recent run of poor results. Last year, Tottenham's operating profits were £970,000 but that turned into a pre-tax loss after transfer fees.

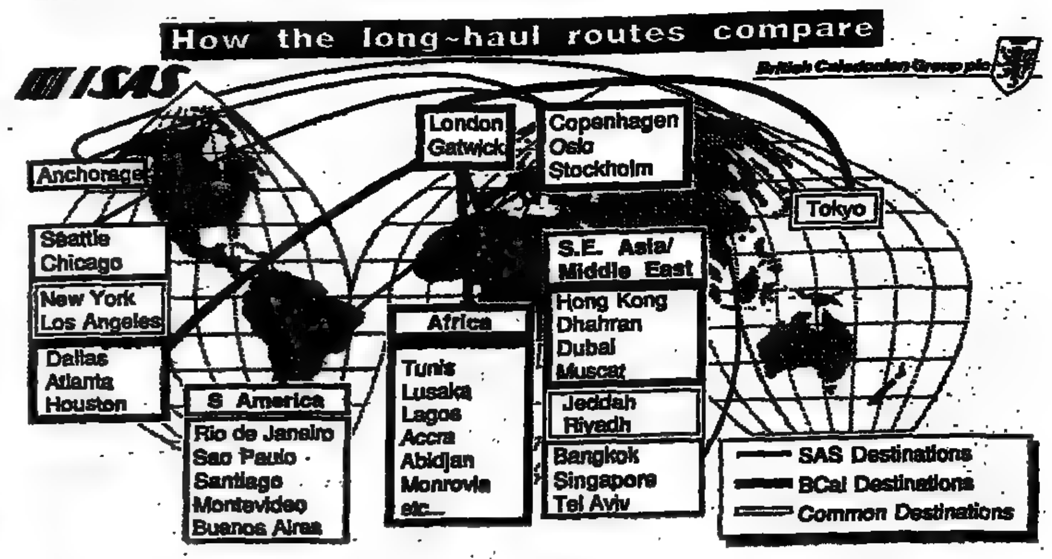
Tottenham also announced yesterday that it was instituting an executive share option scheme to recruit and retain top calibre management - although whether that will extend to new team manager Terry Venables has not yet been decided.

BICC, cables, construction and components, has bought ATS (Telemetry) for about £1m as part of its plans to build a systems group under the BICC Technologies banner.

SAS prepares attempt to overturn CAA decision on BCal

No reflection of Nordic altruism

BY CLAY HARRIS IN LONDON AND SARA WEBB IN STOCKHOLM



HELGE LINDBERG does not like to be interrupted. When he gets into full flow about the development of Scandanavian Airlines System, listeners' efforts to break in are swept away with the wave of a cigarette.

In several meetings over recent weeks, however, the Civil Aviation Authority got its message across to the Scandinavian airline's deputy president and former chief operating officer with a single word: "No."

The CAA rejected its rescue plans for British Caledonian as insufficient to guarantee that the British airline would remain UK-controlled and thus keep its route licences. UK ministers, moreover, gave barely veiled hints that they were opposed to any SAS role in BCal.

Undeterred, Mr Lindberg, a Norwegian who has spent most of the past three months in London (his birthplace) working on the BCal deal, is preparing to have a final go.

The airline's dogged approach does not, however, reflect a mission of Nordic altruism to save Caledonian cousins from an unwelcome takeover.

The Scandinavian airline desperately wants to find a partner with a complementary route network, a good image with business passengers, and the same business philosophy so that it can provide daily worldwide services for its home market of only 17m people.

SAS does not want become only a regional feeder into a future "gang of four or five" European long-haul carriers. It wants a more central European hub – the goal of its now-inactive talks with the Belgian carrier Sabena – and more routes to the Middle and Far East. It especially wants to plug into BCal's network in Africa, to which SAS does not fly.

It already has an agreement with the Varig of Brazil and Argentinas Aerolinas to connect SAS flights with onward destinations in South America. SAS passengers also feed into the Thai International's Far Eastern routes in Bangkok. Passengers coming into Europe, of course, feed into SAS's network.

SAS thinks Gatwick has great potential and says it would be eager to move the aircraft overhaul work (currently done by Swissair in Zurich) to Gatwick where BCal staff have the expertise to overhaul DC10s.

The success of SAS lies mainly with its rather flashy (by Scandinavian standards at least) president and chief executive, Mr Jan Carlzon. He joined SAS in 1980 after climbing the ladder to the top at Vingresor, Sweden's largest tour operator, followed by three years as head of Linjeflyg, the Swedish domestic airline, which he restored to profitability.

When he came to SAS, the airline was "floundering," according to analysts, with poor control over costs and a high degree of overstaffing.

Mr Carlzon styled SAS as "the businessman's airline" – introducing a super-club service in Europe for all full-fare economy passengers and placing reduced emphasis on the less lucrative discount and tourist markets – and said that customers, rather the aircraft, would be the company's major assets.

SAS began to fly frequent, non-stop services, often in smaller aircraft, and cut back on unprofitable routes. It invested in comfortable airport lounges and check-in facilities at designated hotels.

Staff were trained at what were soon nicknamed the "charm schools," planes were spruced up, and punctuality improved. By giving responsibility for problem-solving to employees on the front line, he rapidly turned SAS from loss into profit.

If the past looks rosy, the future does not look quite so good, because of a stagnating market and the trials of deregulation, although Mr Carlzon believes that "every crisis is a big opportunity."

SAS has already taken steps in building up a joint computerised reservation and distribution system called Amadeus, with Air France, Iberia, Lufthansa and Air Inter. The system is a rival to the Galileo system launched by British Airways, KLM, Swissair, and United Airlines. BCal is likely to shift from Galileo to Amadeus if the SAS deal goes through.

Meanwhile, SAS's relationship with the Danish, Swedish and Norwegian governments which indirectly hold 50 per cent of the consortium has become ambiguous, according to one London analyst, who says: "SAS bears the burden of being a state airline and derives none of the benefits."

It has never received state subsidies and claims that the governments' loan guarantees were "an embarrassment."

The governments rarely lobby on the airline's behalf. SAS, for example, wants unrestricted landing rights in the US, where it is limited to only four destinations.

It has little to lose in its campaign for an "open skies" policy which would allow any national carrier to fly where it wants. Many US destinations are attractive for SAS, only Stockholm, Oslo and Copenhagen are of interest to US carriers.

The governments, in fact, do not take much interest in SAS at all apart from limiting its price increases, although recently they have allowed more competition in the Danish and Norwegian markets from charter companies.

Denmark, for example, recently approved applications from Northwest and Tower Air for discount fares on the Copenhagen-New York route.

That times are getting tougher for SAS was shown by the fall in the airline's operating profits from SKr 1.22bn to SKr 871m (£80.6m) in its most recent financial year.

Strategically, SAS is moving in same direction as Swissair, where more and more of the group business is non-airline. This is a sound strategy, according to analysts, who believe that perhaps one third of group profits could soon come from the other businesses – the hotel, catering, and tour operations.

It contrasts, however, with BCal's disposal of almost everything except the airline over the past two years.

Apart from winning employee and union support by saying that the minimum 1,500 UK redundancies predicted by BA would not happen under its own plan, SAS has kept a discreet and politically necessary silence about what changes may be necessary at BCal.

SAS aims to beat objections with 'iron-clad' case

SAS has requested a meeting with the Civil Aviation Authority this morning to discuss its proposed rescue of British Caledonian but has not yet submitted a revised package for the CAA to study, writes Clay Harris.

SAS was trying last night to put together an "iron-clad" case, to answer all the objections raised by the CAA at the last meeting on Friday when the agency said that BCal would lose its designation as a UK airline and its route licences under the proposals then on the table.

The Scandinavian airline is now understood to have sorted out the financial side of its proposal, including finding a UK shareholder to balance the size of its own equity stake.

The delay is believed to involve non-financial aspects of the package – relating to management influence over BCal – rather than financial control. The CAA yesterday underlined its scrutiny of the "totality" of an airline's structure in determining whether control rested in the UK.

BCal directors must formally reply by this evening to the full bid from British Airways. They will not be allowed to change their recommendation before next Wednesday, the day on which BA intends to close its cash terms.

UK COMPANY NEWS

Mike Smith examines the bid for Birmid Qualcast

Blue Circle flexes its muscles

THE TIMING could hardly have been better. Blue Circle could not have predicted the world stock markets crash but when it came the company was ideally placed to embark on the takeover trail.

Having sold off investments in Australia, New Zealand and Spain the cement company had knocked its balance sheet into better shape than it had been for years. In a climate where cash is king Blue Circle had a wider choice than most in selecting its acquisition target.

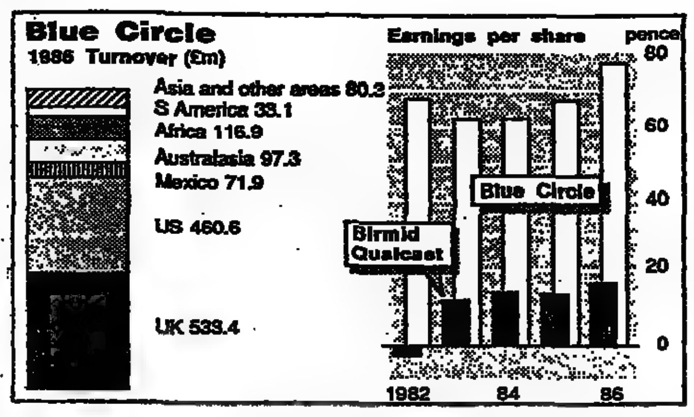
During the past fortnight its preferred choice has emerged as Birmid Qualcast and on Monday it launched a £217m contested takeover bid for the lawnmower, boiler and cooker company after talks aimed at securing an agreed deal broke down. Even though Blue Circle's access to cash gave it a strong start in the bid it still faces a hard battle.

Having successfully rebuffed Hepworth Ceramic earlier this year Birmid is in a confident mood. The feeling is reinforced by prospects which it describes as excellent. It is thought that even if Blue Circle had offered as much as 350p - 50p above its bid price - the Birmid board would have shown it the door.

The bid is likely to focus on the ability of the Birmid board to maintain the share price - which has soared from 200p to last night's close 317p since Blue Circle declared an interest - if it repels the bid.

But perhaps the main interest in the bid is the light it sheds on the newly invigorated management at Blue Circle and the changes that have been brought about at the company in the past year or so.

Although Mr David Poole was appointed managing director in July 1987 he has effectively been in charge for about a year. In that time the company has adopted a more aggressive policy than in the past, the most obvious example being its decision to bring about the end of a 53-year-old price-fixing cartel in the UK cement market.



The move has enabled the company to cut back manufacturing and distribution costs by about £30m because it is no longer required to provide such a comprehensive service geographically. The UK cement division's performance has also been helped by buoyant demand and by the introduction of more flexible working practices. As a result the division's profits could rise by as much as £15m this year to about £40m, according to analysts.

Other results of the appointment of Mr Poole - and that of Mr James Loudon as finance director in the summer - include a far more active attitude to the company's land bank, estimated at more than 10,000 acres. Often through joint ventures with property companies it is building houses and offices on disused quarries and profits from this source are growing rapidly.

For all of Mr Poole's and Mr Loudon's efforts the fact remains that the bulk of Blue Circle's sales and profits come from cement, ready mixed concrete and aggregates. In spite of the construction boom in the UK these businesses are cyclical and growth prospects are limited.

Since the start of the decade Blue Circle has concentrated its efforts on building up its US operation and last year £460m of the group's £1.1bn turnover came from the US. In the first half of this year US profits fell from £23.1m to £13.1m, largely because of a price war involving its William Bros subsidiary.

Blue Circle is still keen to expand in the US but, given the uncertain economic uncertainties there, it is understandably putting more emphasis into the UK. With group gearing at only about 17 per cent and the UK division's cash position positive it clearly has the means.

Quite why it has chosen Birmid Qualcast is not immediately obvious to some analysts. "Only about 30 per cent of Birmid would fit in well with Blue Circle," said Mr Laurence Amboldt, who watches Blue Circle for Morgan Grenfell. "The rest would be better off elsewhere."

Other analysts are more positive but there appears to be little unreserved enthusiasm for Blue Circle acquiring Birmid.

Blue Circle admits that direct synergy between the two companies is limited to their ceramics divisions but it says there is considerable industrial logic in combining Birmid with its Armitage Shanks bathroom products subsidiary. It points to complementary distribution channels and customer bases and says Birmid would benefit from its financial and international strengths.

Birmid has transformed itself from a foundries group 10 years ago into one which specialises in consumer products. Although the foundries division last year provided about 40 per cent of turnover its operating profits of £3.2m were only about half those of both the home & garden equipment and heating divisions.

The recent acquisition of TI's New World cooker division should help Birmid to achieve exceptional growth in earnings per share in the year just ended - some analysts expect about 22p, against 15.6p in 1986. Expansion for the present year will be less marked, however, with about 24.5p in view.

In the weeks ahead Birmid is likely to highlight problems Armitage has experienced in the US and claim that Blue Circle has failed to maximise its subsidiary's potential. Blue Circle can, however, point to Armitage having increased profits in the first half of this year from £4.3m to £5.6m.

In one sense, none of these arguments has much relevance to the bid battle. As Blue Circle is offering cash or a loan note alternative holders of Birmid's shares do not need to take an interest in the cement company's affairs. After all, they are not being asked to accept its shares.

Birmid and its advisers will, however, be promoting the argument that takeovers should be decided in issues such as the track records and prospects of companies involved rather than short term considerations such as who has most cash after the crash.

Australian move into Sheffield

By Nikki Tait

A NEW Antipodean name appeared in the London stock market yesterday as **Australian National Industries**, the heavy engineering group, has spent just under £9m acquiring stakes in two Sheffield-based engineering and metals group.

The larger holding is a 14.9 per cent interest in Aurora, whose interests range from manufacturing engineering products to distributing special steels, machine tools and building products.

ANI said yesterday that it has owned a small non-disclosable stake for some time, but the bulk of its holding came through a "dawn raid" conducted by County NatWest.

According to ANI's director of corporate development, Mr Mike Houghton, the Australian company hopes to establish co-operation between the two groups - joint tendering, cross-supplying and so on.

Aurora directors were in meetings yesterday and unavailable for comment.

The second holding is much smaller - a 3.8 per cent stake in William Cook, the Sheffield-based steel castings manufacturer, which was bought through stockbrokers, Cazenove.

ANI is described as Australia's leading engineering group. Aurora.

BM to sell Hymac business

BY NICK GARNETT

BM Group, the expanding construction machinery and processing equipment manufacturer, is negotiating to sell its Hymac hydraulic excavator business to the family-owned **Brown Group**.

The two companies have reached agreement in principle and are expecting to make an announcement in the next two weeks.

Mr Gordon Brown, managing director of the North Yorkshire based Brown company whose range of earthmoving machinery includes the Moxy dump truck, said yesterday that the deal had not been concluded but was expected to be soon.

BM had a turnover last year of £79m, against £36m in 1985-86, and is expecting to pass £100m in the current year. Pre-tax profits last year were £5.09m.

It recently secured the franchise to sell excavators produced by a new joint venture company set up in Italy by Fiat and Hitachi of Japan.

Some industry observers believe that BM might want to show its commitment to this deal by selling Hymac, which it purchased last year from Northern Engineering Industries.

At the same time, the Brown Group has lost in the past few months its franchise to sell Fiat excavators and has been looking for something to fill the gap.

Hymac, which makes excavators from 12 to 25 tonnes, has had several owners in the past six years. NEI bought it in the early 1980's from the ill-fated West German construction machinery group built up by Mr Dieter Esch.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding div	Total for year	Total last year
Burns-Anderson	fin	2†	Feb 10	1.68	3.5	3.03
Chapman Ind	int	2.6	-	2.4	-	9.25
Dee Corpn	int	3	Feb 29	3	-	8
Eldridge Pope	fin	4.25	Feb 6	3.75	7.75	7
Harland Simon	int	0.6	-	-	-	-
ITL Information	int	0.4	Jan 29	-	-	-
Jacksons Bourne	int	3	Jan 30	2	-	6
Learmonth§	int	0.5	Feb 5	-	-	-
McCarthy Stone	fin	3.15	Feb 26	2.51	4.1	3.31†
Osborne Little §	int	1.7	Jan 22	1.3	-	3.9
Redfearn	fin	6.5†	Feb 24	4.5	9.5	6
Schroder Global	fin	2.38	-	3.05	4.4	4.25
Scottish & Merc	int	1.4	Jan 21	1.4	-	5
VPI Group	fin	1.5†	-	1	2.25	1.5
Wardell Roberts§	int	0.9♣	-	0.9	-	2.3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♦Unquoted stock. ♥Third market. ♣Irish pence throughout.

Redland in talks about Monier future

By Nikki Tait

Redland, the British building materials group, yesterday confirmed that it is currently holding talks with Mr Allan Hawkins' New Zealand-based Equiticorp over the fate of Monier, Redland's Australian subsidiary.

The talks are being held in Sydney, and follow earlier discussions in London. According to Redland, yesterday's announcement was prompted by speculation in the Australian press

Redland, with a 49.9 per cent interest in Monier, raised its stake to 50.1 per cent in July - in the face of a takeover bid for the Australian company from Equiticorp. Earlier, a rival offer by CSR, the Australian building products and resources group - which was supported by Redland - failed after being overtaken by the Equiticorp bid. Equiticorp currently holds a 48 per cent interest in Monier.

Reflex Investments coming to USM

Reflex Investments, an Irish computer leasing company, has announced details of its flotation on the Unlisted Securities Market.

DCC Corporate Finance is placing 2.32m shares, 20 per cent of the equity, at 48 Irish pence each. After the placing, the group will have a market capitalisation of I£5.58m (£5m). Pre-tax profits in the year to April 30, 1987 were I£237,000 and the company is forecasting I£500,000 in the current year, putting the shares on a prospective p/e of 10.5.

Drayton Japan

Rival stake-building at Drayton Japan, the MIM-managed investment trust continues: yesterday, MIM-Britannia announced that it had increased its interest in the trust's voting rights from about 11 per cent to 15.2 per cent. It now holds 3.51m ordinary and 370,531 preference shares.

The announcement came just 24 hours after AJS Partners, the New Jersey-based investment partnership which originally sought to make a recommended bid for the trust, had taken its voting interest to 19 per cent.

UK COMPANY NEWS

Burns-Anderson reaches £2.5m

BY PHILIP COGGAN

Burns-Anderson, the company which Mr Alan Moore and Sir John Harvey-Jones have guided out of industrial materials and into financial services, increased pre-tax profits by 44 per cent to £2.55m (£1.77m) in the year to September 30.

During the year, the group disposed of its industrial subsidiaries, raising more than £10m which reflected a surplus over book value of £6.5m. After deducting tax, a provision for revaluation of investments and reorganisation costs, there is an extraordinary credit of £3.15m.

Burns-Anderson now has four main areas of activities - financial planning, banking & finance, stockbroking and recruitment.

Mr Moore was confident that the company's marketing skill could achieve cross-selling of financial sevices within the group. He was unabashed by the fall in the company's share price, which has underperformed the FT All-Share by 30 per cent since Black Monday.

Burns-Anderson now has cash of 51p per share - interest receivable was up to £468,000 (£142,000) last year - and Mr Moore believes that the company's liquidity puts it in a good position to make acquisitions.

"Before the crash, it was a false situation," he said. "We were trying to make acquisitions and some of the companies were talking about p/es in the thirties and forties. Now we can say, if Hanson and other blue chips are on a p/e of six to eight, why should we pay a p/e of 15 for you?"

Sir John Harvey-Jones, the chairman, said that the overall performamnce of the group since September was up to expectations as the company's direct exposure to the reduction of stock market trading volume is relatively small.

The financial services subsidiaries contributed £1.64m (£1.18m) of trading profits and the now sold industrial subsidiairies contributed £1.29m (£960,000). After central administration expenses of £847,000 (£512,000), taxation of £966,000 (£638,000) and minority interests of £110,000 (£116,000), fully diluted earnings per share were 6.5p (5.7p).

The final dividend is being set at 2p (1.68p), making a total of 3.5p (3.03p).

BURNS ANDERSON

Sir John Harvey-Jones and Burns-Anderson's new corporate logo: are they by any chance reated? Yes, writes Clay Harris, the company says its designers took a cue from Sir John's appointment as non-executive chairman and *public face of the* Bristol-based financial services group to come up with the this triangle, projecting "an image both solid and dependable yet imaginative and modern."

The subtlety of the "solid granite background" *would not* have survived photographic reproduction on salmon newsprint, so the version printed here is but an artist's reconstruction. In the original, the line and small triangle are red, and the lettering in white.

Mr Alan Moore, chief executive, said yesterday that Burns-Anderson considered birds (including pelican and kingfisher) and an anvil (to evoke the forging of links) before settling on the triangle. The stone effect – which Burns-Anderson *itself* admits to having trouble reproducing in print – will come into its own when the company begins to distribute pyramidal granite paperweights.

● comment

Burns-Anderson could be forgiven for casting a nervous glance at the news from Abaco yesterday. The latter was forced *to admit its acquisition spree had* run out of steam; its paper carried little weight after Black Monday and British & Commonwealth *is stepping in to give it* some renewed clout. That news must inevitably cast a pall over Burns Anderson's prospects for *building a financial services con*glomerate even though Burns has a stronger balance sheet. The fundamental question that faces *the group is whether demand for* financial products is already saturated; if it is, then however good the company's marketing *skills, it is heading up a strategic* blind alley. The shares have taken an almighty battering, although they gained 6p to 97p yesterday, *but investors* can probably afford to wait and see what Mr Moore buys with his cash pile before taking the plunge.

Jacksons Bourne End hit by share crash

By David Waller

PRE-TAX profits of Jacksons Bourne End more than quadrupled to £301,000 in the six months to end-September, but the market crash took its toll on the company's quoted investments, causing an extraordinary charge of £704,000, which resulted in an attributable loss of £506,000.

The dividend was kept constant at 2p, and net assets per share rose from 270p to 366p, compared to an unchanged share price of 378p.

Meanwhile, Mr Niels Bugge has formally relinquished his role as Jacksons chairman and is to be replaced by Mr Roy Barber. Mr Bugge, who will remain a Jacksons director, is the former chairman of the troubled Norwegian property company, Bugge Eiendom, which took a 60 per cent stake in Jacksons in February.

Jacksons said yesterday that Bugge Eiendom – in which Mountleigh holds an option to buy 63 per cent of its shares - and Jacksons have no further trading or financial relationship other than the shareholding.

David Waller on Legrand's bid for MK Electric

Chance for big UK push

TWO WEEKS ago on Tuesday, RTZ executives illustrated their plans for MK Electric by reference to a little known French company – a company which had shown tremendous growth in profits in recent years and successfully expanded overseas.

For connoisseurs of life's little ironies, it will come as no surprise that the model of Gallic enterprise was none other than Legrand. The very next day, it started accumulating a stake in MK and on Monday this week, launched a £255m counter-offer for MK to challenge that from RTZ. Understandably, praise from RTZ is now less than forthcoming.

Although unfamiliar to the UK investment community, Legrand is continental Europe's leading manufacturer of low voltage electrical accessories and fittings. Quoted on the Paris Bourse since 1970, its market capitalisation at *FFr 5.22bn (£513m) is approximately* twice that of MK.

Its shares have traditionally been accorded a premium rating, reflecting its efficiency and growth potential. After-tax profit margins have traditionally been over 6 per cent and cash flow has been high; and in each of the last two years, pre-tax profits have grown by approximately 50 per cent. By contrast, MK's earnings record in the last four years has been flat.

Sales last year amounted to FFr4.56bn (£448m) compared to £140.9m at MK, and pre-tax profits were FFr567.4m (£55.8m) against £19.6m at the UK company. Catering for the needs of electrical contractors in 22 countries, Legrand produces around 600m finished articles each year, divided into some 70 product ranges.

Like MK, Legrand dominates its home market – but unlike the UK company, the Limoges-based undertaking has successfully overcome the limitation to growth imposed by domestic standards. Since 1970, when it took its first steps overseas, Legrand has established 16 manufacturing subsidiaries outside France. Last year, domestic sales accounted for 64 per cent of the total, compared to 80 per cent at MK.

Olivier Bazil-"MK would have to change hands".

Research and development is maintained at a high level – some 7.5 per cent of sales.

The company is controlled by the Verspierien and Decoster families, who have 66 per cent of the voting rights and all but one of the seats on the main board. Employees numbered 11,800 last year - one of whom is M. Olivier Bazil, the finance director whose impeccable command of English reflects his education at Harvard Business School.

He explains the rationale behind the company's first ever hostile takeover bid: "For many years, we thought MK would make a nice industrial and commercial fit, and we had a dream that we could work together. But present and past management made it clear that they wanted their independence, and we hate to make unfriendly bids. But RTZ's bid changed everything – we saw that MK would have to change hands."

Legrand moved into the UK in 1971 and consolidated its position with the acquisition of a GEC subsidiary in 1980. *Reflecting the difficulties of penetrating an overseas market with* alien standards, sales last year totalled only £11.8m - of which £4.3m was managed locally. The acquisition of MK would give Legrand what it could never achieve through organic growth: *50 per cent of the UK market.*

Hence Legrand's willingness to offer 660p a share – 17 times current year earnings. The opportunity to buy such a large share of the UK market will not present itself again.

VPI rises to £4m with the help of Carter

MR REG VALIN, chairman of the VPI Group, a financial and corporate communications organisation formerly known as Valin Pollen International, yesterday unveiled a sharp surge in profits for 1986-87 and promised further growth in the year ahead.

He said the year under review had seen a major step forward in the group's strategy of expansion in the world's financial centres with the acquisition in July of the New York-based Carter Organization.

Group profits for the past year took in a two months' contribution from Carter, and at the pretax level accelerated from a restated £2.14m to £4.14m on the back of a £5.43m rise in turnover to £33.02m.

Figures for both the old group and for the Carter Organization were ahead of the forecasts made in the listing particulars at the time of the acquisition. Mr Valin said that announcement of the results was moved forward by one month in an effort to underpin VPI's lagging share price performance.

He added that despite a decrease in the number of "hostile" corporate control transactions in the US, both of Carter's core businesses of investor relations and proxy solicitation consultancy reached new heights.

The group's existing businesses also performed strongly during the year.

In the current year, group profits for the first two months were ahead of budgets. Mr Valin said new business was contin*uing to be acquired* and that 59 new clients had been appointed since the beginning of October.

The Carter Organization was adding 16 new staff positions to its current 110 employees, and adding more than 5,000 square feet of office space.

US profits in the current year have been hedged at $1.67 to the pound.

For 1986-87 earnings worked *through 6.9p higher* at 16.6p.

Shareholders are to receive the promised final dividend of 1.5p which lifts their *total payment to 2.25p, an increase of 50 per* cent over the previous year's 1.5p.

● comment

The share price of VPI has been ravaged by a triple perception that a financial PR company *must be hurt badly* by a downturn in markets, that VPI's profits depend 80 per cent on the US, where recession is a danger, and that US dollar earning have already been slashed in sterling terms. A US recession while speculative, is possible, and the US dollar profit stream has been protected for only a year. But these now have to be weighed against the apparent failure of either the UK or the US business growth to be dented by Black Monday and the aftermath. A slowdown in internationalisation *of markets, could delay* VPI's ambitions to go global, and its share price complicates further acquisitions, but its fast expan*sion has not been halted. Fore*cast pre-tax profits of 13.6m in the current year put the shares on a perspective p/e of less than 7, *which is hard to justify even* in today's markets.

Learmonth up 32% to £0.7m at halfway

Learmonth & Burchett Management Systems, which came to the USM in June, announced a 32 per cent increase in pre-tax profits from £517,000 to £684,000 for the half year ended October 31.

The directors of the company, which provides consultancy services, *training and software* products, said that in recent years there had been a bias in results towards the second half *and they expected that to con*tinue.

The strength of the forward order book for its training and *consultancy services led them to* expect "respectable results for the full year."

An interim dividend of 0.5p is being paid from earnings of 3.7p per 10p share (2.7p restated).

The UK and US companies both contributed to the improved profits and steps had been taken to protect this years results from exchange rate fluctuations, directors said.

The company's investment in product development increased as planned by 92 per cent to £550,000 during the period. It also invested heavily in extending its sales and marketing activities. Benefits from those was expected to start flowing in the next financial year.

Turnover for the half year rose by 64 per cent to £4.77m (£2.91m) and operating profits came out at £1.2m (£828,000). The pre-tax result was after net interest received of £13,000 (£25,000 payable) and the development costs. Tax took £239,000 (£192,000).

Paringa Mining in £6.7m US deal

Paringa Mining and Exploration, the mining finance company listed on the London and Australian stock exchanges, is to pay $12m (£6.7m) for up to 42 per cent of **American Gold Resources**, a Houston-based private exploration concern.

American Gold owns or controls 11 prospective gold properties covering in total about 40,000 acres in Nevada, Idaho and Colorado.

Paringa, a subsidiary of the Australian Gas Light Company, will pay the $12m over 18 months to buy 3m new American Gold shares and 1m warrants which will expire in 1991 and have an exercise price of $4.50 a share.

The Prospect Group, which founded American Gold, will retain 24 per cent of that company if all outstanding warrants and options are exercised.

Schroder Global

Net asset value per 25p ordinary share in **Schroder Global Trust** stood at 238.7p at the year end on October 31 compared with a figure of 265.1p 12 months earlier.

The directors propose a final dividend of 2.275p (3.05p) making a total of 4.4p (4.25p).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Walter Alexander, BTP, Bremner, H.P. Bulmer, Charter Consolidated, Coated Electrodes, Compsoft, Continuous Stationery, Evans of Leeds, Fine Art Developments, Havelock Europa, Healthcare Services, M & G Second Dual Trust, Northern Foods, Benjamin Priest, Tex Holdings, Tomorrows Leisure, Toothill, Waterglade International, Yellowhammer.

Finals- Avon Rubber, Albion, Baggeridge Brick, Bogod-Pelepah, Carrs Milling Industries, Holmes and Marchant, Y J Lovell, Smith & Nephew, United Scientific.

FUTURE DATES

Interims-	
Great Universal Stores	Dec 10
London Merchant Secs	Dec 10
Lovell (G.F.)	Dec 18
Moorgate Investment Trust	Dec 15
Northamber	Dec 15
Wagon Industrial	Dec 10

THIS ANNOUNCEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, please consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

TENDER OFFER

by

J. Henry Schroder Wagg & Co. Limited

on behalf of

BP PETROLEUM DEVELOPMENT LIMITED

a wholly owned subsidiary of

THE BRITISH PETROLEUM COMPANY p.l.c.

to purchase up to 76,000,000 Ordinary Shares of 10p each in

Britoil plc

at 300p per Ordinary Share

Further copies of this Tender Offer and the annexed Form of Tender (upon the terms of which alone tenders will be accepted) may be obtained on request from National Westminster Bank PLC, New Issues Department, and from J. Henry Schroder Wagg & Co. Limited and de Zoete & Bevan Limited at the addresses set out in the annexed Form of Tender.

J. Henry Schroder Wagg & Co. Limited
120 Cheapside
London EC2V 6DS

9th December, 1987

To the holders of Ordinary Shares of 10p each in Britoil plc

Dear Sir or Madam,

Tender Offer on behalf of BP Petroleum Development Limited ("BP") for Ordinary Shares of 10p each ("Britoil ordinary shares") in Britoil plc ("Britoil").

On behalf of BP we hereby offer to acquire by tender, on the terms and subject to the conditions set out below, up to 76,000,000 Britoil ordinary shares ("the Tender Offer"), *representing approximately* 15.0 *per cent.* of the issued ordinary share capital of Britoil. If shares in excess of 76,000,000 Britoil ordinary shares are tendered, all tenders submitted will be scaled down pro rata.

BP at present holds 75,000,000 Britoil ordinary shares. Following successful completion of the Tender Offer, BP will therefore hold 151,000,000 Britoil ordinary shares, representing approximately 29.9 per cent. of the issued ordinary share capital of Britoil.

Terms of the Tender Offer

1. The consideration under the Tender Offer shall be a fixed price of 300p in cash in respect of each Britoil ordinary share tendered and accepted.

2. Unless tenders in respect of more than an aggregate of 5,100,000 Britoil ordinary shares are received, the Tender Offer shall be void.

3. Subject to 2. above, all tenders will be irrevocable.

4. The Tender Offer will close at 10.00 a.m. on Wednesday, 16th December, 1987 ("the closing date") and no tenders received after that time will be accepted.

5. Britoil ordinary shares will be acquired by BP free from all liens, charges and encumbrances and with all rights now or hereafter attaching thereto including the right to receive all dividends and other distributions declared, made or paid after the date hereof and the right to attend and vote at any General Meeting of Britoil after 16th December, 1987.

6. If the number of Britoil ordinary shares tendered exceeds 76,000,000, tenders will be scaled down pro rata.

7. All tenders must be made on the form of tender which forms part of this document ("the Form of Tender"), duly completed in accordance with the instructions therein, which (together with the notes thereon) constitute part of the terms of the Tender Offer.

8. The Tender Offer shall be governed by and construed in accordance with English law and delivery of a Form of Tender shall constitute submission to the jurisdiction of the English Courts.

9. No person receiving a copy of this document and/or any Form of Tender in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him nor should he in any event use such Form of Tender, unless in the relevant territory such an invitation and offer could lawfully be made to him without compliance with any unfulfilled filing, registration or other legal requirements. It is the responsibility of any person outside the UK or subject to the laws of any overseas jurisdiction, who receives a copy of this document and/or a Form of Tender and who wishes to tender hereunder, to satisfy himself (by *taking legal advice or in other appropriate manner*) as to full observance of the laws of the relevant territory and, if different, the territory of which he or the beneficial owner of the Britoil ordinary shares tendered is a national or resident in connection therewith, including obtaining of any governmental or other consents in compliance with other necessary *formalities. In tendering, the person doing so warrants* and represents to J. Henry Schroder Wagg & Co. Limited and BP that the relevant offer or invitation may lawfully be made to him and that he has taken appropriate steps to satisfy himself as aforesaid provided that if BP in its absolute discretion (based upon legal advice or otherwise) determines that in any particular case or cases such warranty and representation cannot be or should not have been made, then the relevant tender shall be void and the person making the tender shall have no claim whatsoever against J. Henry Schroder Wagg & Co. Limited or BP. No steps have been taken to qualify the Tender Offer or to authorise the distribution of the Tender Offer document or Form of Tender in any territory outside the United Kingdom.

Procedure for tendering

Forms of Tender, duly completed, should be returned, together with the relevant share certificate(s) and/or other document(s) of title for Britoil ordinary shares, or, at the discretion of J. Henry Schroder Wagg & Co. *Limited and BP, an indemnity in lieu thereof, to National* Westminster Bank PLC, New Issues Department, at the address set out on the Form of Tender as soon as possible but in any event so as to arrive not later than 10.00 a.m. on Wednesday, 16th December, 1987. If some, but not all, of the shares represented by a certificate delivered with a Form of Tender are sold pursuant to the Tender Offer, the relevant shareholders will be entitled to receive from Britoil a certificate for the unsold shares.

Notwithstanding that no share certificate(s) is/are delivered in respect of it, a duly completed Form of Tender (i) executed under seal by Sepon Limited and endorsed on behalf of The Stock Exchange to the effect that the Britoil ordinary shares to which it refers are the whole or part of a holding registered in the name of Sepon Limited and/or are Britoil ordinary shares to which Sepon Limited is unconditionally entitled immediately to become the registered holder; or (ii) executed by any other person(s) and endorsed on behalf of The Stock Exchange to the effect that such person(s) is/are unconditionally entitled immediately to become the registered holder(s) of the Britoil ordinary shares to which it refers and that one or more Talisman Transfer(s) in favour of such person(s) in respect thereof is/are in the course of registration, shall be treated by J. Henry Schroder Wagg & Co. Limited and BP as valid in all respects on the date of its actual receipt provided that, on presentation to the Registrars of Britoil for registration, the instrument of transfer executed pursuant thereto is unconditionally accepted for registration.

Settlement

1. The result of the Tender Offer and (if applicable) the basis of scaling down tenders will be announced by 9.00 a.m. on Thursday, 17th December, 1987, the business day next following the closing date.

2. Cheques will be despatched not later than 12 business days following the closing date to holders of Britoil ordinary shares whose tenders, valid and complete in all respects, are received before the Tender Offer closes in respect of the number of Britoil ordinary shares tendered, if applicable, after taking account of any scaling down.

3. All documents and remittances sent by or to holders of Britoil ordinary shares will be sent at their own risk and no acknowledgement of receipt of documents will be sent. If an insufficient number of Britoil ordinary shares is tendered, Forms of Tender, certificates and/or other documents of title will be returned within 10 business days of 16th December, 1987.

Taxation

The disposal of Britoil ordinary shares pursuant to the Tender Offer will constitute a disposal or part disposal for the purposes of United Kingdom taxation on capital gains and may give rise to a liability to taxation. Any shareholder who is in doubt as to his tax position should consult his own professional adviser.

Yours faithfully,
for J. HENRY SCHRODER WAGG & CO. LIMITED
W. M. SAMUEL
Director

APPENDIX

1. The following table sets out the middle market quotation for Britoil ordinary shares, derived from The Stock Exchange Daily Official List, at the close of business on the first dealing date of each month from 1st July to 1st December, 1987 and on 7th December, 1987 (being the last dealing day but one prior to the publication of this Tender Offer and the last practicable date prior to the printing of this document).

Date 1987	Britoil ordinary share price p
1st July	306
3rd August	357
1st September	336
1st October	338
2nd November	209
1st December	179
7th December	187

2. J. Henry Schroder Wagg & Co. Limited is satisfied that sufficient resources are available to BP to satisfy the cash consideration under the Tender Offer.

Certificate held (for completion by The Stock Exchange or the Registrar)

Unless the context otherwise requires, expressions defined in the Tender Offer document dated 9th December, 1987 from J. Henry Schroder Wagg & Co. Limited bear the same meanings in this Form.

FORM OF TENDER

for the sale of

Britoil ordinary shares

ACTION TO BE TAKEN

If you wish to tender all or any of your Britoil ordinary shares, you should complete and sign where indicated overleaf

You should insert in Box 1 the number of Britoil ordinary shares which you wish to tender

AND THEN

Sign the Form below and send it, together with your share certificate(s) and/or other document(s) of title for not less than the total number of Britoil ordinary shares tendered, to National Westminster Bank PLC, New Issues Department, P.O. Box 79, 3 Princes Street, London EC2P 2BD as soon as possible but in any event so as to arrive not later than 10.00 a.m. on Wednesday, 16th December, 1987

NOTE

If you have lost any of your certificates you should follow the procedure in Note E below. Your attention is also drawn to the additional Notes below

To: J. Henry Schroder Wagg & Co. Limited ("Schroders") and BP Petroleum Development Limited ("BP")

(1) I, We, the undersigned, have received the Tender Offer document dated 9th December, 1987 ("the Tender Offer document") from Schroders offering on behalf of BP to acquire by way of tender up to 76,000,000 Britoil ordinary shares. I/We hereby irrevocably tender to Schroders on the terms and subject to the conditions set out in the Tender Offer document

Box 1

INSERT HERE NUMBER OF BRITOIL ORDINARY SHARES WHICH YOU WISH TO TENDER *AND THEN SIGN BELOW

Britoil ordinary shares held by me/us (or such smaller number as may result from scaling down in accordance with the provisions of the Tender Offer *document) at 300p per share, for settlement in cash.*

*If Box 1 is left blank and this Form is signed, you will be deemed to have tendered the holding represented by the certificate(s) enclosed with your Form of Tender

(2) I/We enclose the share certificate(s) and/or other document(s) of title in respect of not less than the number of Britoil ordinary shares tendered hereby.

(3) My/our execution of this Form shall constitute (i) my/our irrevocable acceptance of the offer on behalf of BP, contained in and on the terms of the Tender Offer document in respect of the number of Britoil ordinary shares set out or deemed to be set out above for such smaller number as may result from scaling down in accordance with the provisions of the Tender Offer document), (ii) an irrevocable appointment (by way of security for my/our contractual obligations hereunder) of each of BP and any Director of Schroders as my/our attorney to complete and execute on my/our behalf and in my/our name(s) one or more instruments of transfer in favour of BP of the Britoil ordinary shares in respect of which I/we have accepted or shall be deemed to have accepted the Tender Offer (or such smaller number as may result from scaling down in accordance with the provisions of the Tender Offer document) and on my/our behalf to execute any further documents and to do any other acts as may be necessary or expedient to give effect to any such transfer, (iii) my/our irrevocable authority and request to BP or its agents to send by post at my/our risk to the person or agent whose name and address is set out below or, if none is set out, to the first-named holder at his/her registered address, a cheque for the cash consideration due to me/us, and (iv) my/our acknowledgement and acceptance of the obligations incurred by me/us under paragraph 9 of the terms of the Tender Offer set forth in the Tender Offer document

(4) Subject to the Tender Offer becoming unconditional, my/our execution of this Form shall constitute an irrevocable appointment (by way of security for my/our contractual obligations hereunder) of each of BP and any Director of Schroders as my/our attorney (i) to execute any form of proxy in respect of such number of Britoil ordinary shares which are purchased by BP, and (ii) if a corporation, to appoint any person nominated by BP to attend at and to vote for me/us and on my/our behalf in such manner as he thinks fit or to abstain from voting at any General Meeting of Britoil (and at any adjournment of any such meeting) pending the registration of the transfer in respect of such Britoil ordinary shares

For Office Use Only

1 Tender No
2 Ord Tendered
3 Shares Accepted
4 Balance
5 Cash £
6 Cheque No

Please insert below in *BLOCK CAPITALS* the name and address of the person or agent to whom you wish any cheque and/or document of title to be sent

Name .... Address ....

NOTES REGARDING THE COMPLETION AND LODGING OF THIS FORM

The following notes should be read carefully. In order to be valid the Form of Tender must be correctly completed in all respects and received by National Westminster Bank PLC, New Issues Department, P.O. Box 79, 2 Princes Street, London EC2P 2BD by 10.00 a.m. on Wednesday, 16th December, 1987 together with the share certificate(s) and/or other document(s) of title and, where appropriate, death certificate, probate, letters of administration, marriage certificate and/or deed poll. TENDERS NOT VALID IN ALL RESPECTS WILL BE DISREGARDED. IMPORTANT

In order to be valid this Form must, except as mentioned below, be signed personally by the registered holder or, in the case of a joint holding, by *ALL the registered holders. A body corporate must execute this Form under seal, the seal being affixed and witnessed in accordance with its Articles* of Association or other regulations.

The following suggestions are made to avoid delay and inconvenience —

A If a holder is away from home (e.g. abroad or on holiday) —
Send this Form by the quickest means (e.g. air mail) to the holder for execution or, if he has executed a power of attorney, have this Form signed by the attorney. In the *latter* case the power of attorney (or a duly certified copy, as provided in the *Powers of Attorney Act 1971*) must be lodged with this Form for noting. No other signatures will be accepted.

B If you have sold your holding in Britoil:—
You should immediately hand this Form to the purchaser or to the stockbroker, bank or other agent through whom the sale was effected for transmission to the purchaser.

C If the sole holder has died:—
If probate or letters of administration has/have been registered with Britoil, this Form must be signed by the personal representative(s) of the deceased.
If probate or letters of administration has/have been granted but has/have not been registered with Britoil, the personal representative(s) should sign this Form and forward it to National Westminster Bank PLC, New Issues Department, at the address given below with the share *certificate(s) and with a copy of the probate or letters of administration as soon as possible*

D If one or more of the joint holders has died:—
This Form is valid if signed by all the surviving holders and lodged with National Westminster Bank PLC, New Issues Department, at the address given below, accompanied by the death certificate, probate or letters of administration of the deceased holder

E If one or all of your share certificate(s) has/have been lost or is/are not readily available —
Complete the lodge this Form with a letter of explanation and any share certificate(s) available with National Westminster Bank PLC, *New* Issues Department, at the address given below. At the same time you should write to the Registrars of Britoil, National Westminster Bank PLC, Registrar's Department, P.O. Box 82, Caxton House, Redcliffe Way, Bristol BS99 7NH, for a letter of indemnity which should be completed in accordance with the instructions given. When completed the letter of indemnity must be lodged with National Westminster Bank PLC, New Issues Department, at the address given below by 10.00 a.m. on 16th December, 1987. Indemnities will only be accepted at the discretion of Schroders and BP. No payment will be made under the terms of the Tender Offer unless share certificate(s) and/or other document(s) of title, or an acceptable indemnity in lieu thereof, is/are received by the due date

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(State whether Mr., Mrs., Miss or Title)
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Address (in full) ....
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UK COMPANY NEWS

McCarthy & Stone rises 55% to a record £25m

A STRONG market for retirement apartments helped boost profits at **McCarthy & Stone** by 55 per cent to £25m in the year to end-August. This was achieved on turnover *47% higher at £99m*.

Mr J.S. McCarthy, chairman, said that the new financial year had started well and that forward sales of apartments were ahead of last year's level.

McCarthy constructs and markets sheltered accommodation from its Hampshire base and stated that due to demand it was now working on a record number of sites. The number of sites acquired, together with planning permissions received, was also at an all-time high.

The average price of the group's retirement apartments sold during the year had risen *sharply, although the directors* said that a substantial proportion of the increase was due to progress in the London area where exceptional demand had exceeded expectations and had resulted in a significant contribution to profits.

Turnover during the period rose from £67.1m to £98.9m. After interest charges of £5m (£3.8m), pre-tax profits came out at a record £24.9m, up from £16.1m last time.

Tax accounted for £8.8m *(£6m) leaving basic earnings* per 20p share of 32.08p (22.71p) and fully diluted earnings of 29.19p (20.91p). A final dividend of 3.15p is proposed making 4.1p (3.31p) for the year.

Occupation rates at McCarthy's first nursing home at Bexhill-on-Sea, East Sussex, had shown *encouraging growth. Other* schemes had been opened at Upton, Merseyside, and Dawlish in Devon. Further homes were under construction in Essex and Dorset.

McCarthy's international expansion had seen construction begin at sites in Dublin and *Grasse in France. Further sites* had been acquired at Juan-les-Pins and Antibes to concentrate investment along the French Mediterranean coast.

Both the Liftwise lift manufacturing and Cresta Glass window and door-making subsidiaries had increased capacity during *the year, a move necessary to* meet increased demand for sheltered apartments as well as higher external sales.

• comment

Yesterday's figures were better than most analysts had expected. As leader in the sheltered accommodation market, McCarthy is in a strong position. It has kept ahead of the field by moving up market and by expanding in the south. The average cost of a McCarthy retirement apartment is now £50,000, the range going from £27,000 to £220,000 for the eleventh storey penthouse suite in the Southsea development. Twenty schemes are underway in the London suburbs, with the commensurate higher prices. The 91 sites presently under construction will provide 6000 apartments. As every census shows, there is no ceiling on the potential for growth. McCarthy continues to improve margins and has earned its reputation as the proven leader. Assuming pre-tax profits for this year of about £36m, that puts them on a prospective p/e of just under 10.

Harland Simon advances 84%

A SHARP increase in pre-tax profits, up 84 per cent from *£219,000 to £402,000*, was recorded by **Harland Simon Group**, maker of computer control systems mainly for the newspaper industry, for the six months to September 30.

Earnings per 10p ordinary are up from 1.2p to 1.8p basic, or 1.2p to 1.7p fully diluted, after tax of £183,000 (£85,000). There is a maiden interim dividend of 0.6p.

The directors stated that all *companies in the group had per*formed well and the company had an order book significantly higher than at the same time last year. The company's drive control and management information systems would drive the new printing presses in all but one of the major national newspapers.

The small drives and very large drives activities had shown *encouraging progress and the* Corrtronic business, a supplier to the corrugating industry, which the company recently acquired, had now been successfully integrated into operations at Milton Keynes.

Mr Mahoney said the company's strategy continued to be to exploit its core technology and to avoid over-reliance on any one industrial sector. The directors were pleased, therefore, to be able to acquire Vickerys Holdings, a long-established supplier of doctoring equipment to the paper industry, which also had *promising new products* sold into the pollution control market.

Vickerys, which was acquired *in October for between* £2.5m and £4.03m cash, had no impact on the interim figures but its *results would be consolidated* from October 1 1987 and a significant contribution was anticipated from it in the second half.

Given the strength of the current order book and the consequent high factory loading, indications were for a good second half and the company confidently anticipated a satisfactory outcome for the year as a whole. The pattern of deliveries to customers strongly favours the second half of the company's financial year.

Turnover in the period was up from £3.63m to £5.99m and the operating profit improved from £211,000 to £316,000. Net interest amounted to £86,000 (£8,000).

Chapman surges to £617,000 midway

Chapman Industries, maker of envelopes, posted taxable profits up sharply from £354,000 to £617,000 on turnover up almost £3m to £17.89m in the half year to September 26. The company benefited from exceptional credits of £175,000 (nil).

The directors lifted the interim dividend from 2.4p to 2.6p after earnings per 50p ordinary share jumped 4p to 9.1p. Tax accounted for £234,000 (£142,000).

The results included two months of Eden Packaging Products which Chapman acquired in July for £674,500. The directors said that it had performed to expectation.

During the period Chapman bought a new 3.5m cu ft central warehouse and *distribution* centre at Northampton.

Eldridge Pope just 3% ahead after poor summer

Eldridge Pope, the West Country brewer, managed only a 3 per cent increase from £3.3m to £3.4m in pre-tax profits for the year to September 30 because of poor summer weather which had an adverse effect on seaside holiday trade.

Mr Christopher Pope, chairman, said the main features contributing to the results were further successes in pub retailing and increased sales of wine.

Another significant feature was a substantial programme of improvements in the tied estate, the effects of which had been, first, an additional refurbishment charge of nearly £400,000, and secondly, reduced investment income from short-term deposits offset by a contribution holiday of £300,000 following revaluation of the Staff Pension *Fund*.

Mr Pope said this would continue for a three year period.

***He said the static beer* market and greatly increased competition in free trading, pub investment and wine, had made growth harder to achieve and reduced returns on new investment.**

Eldridges's *forward* planning was aggressive and ambitious, based on qualitative research, and able to respond rapidly to changes in the market. This year, he concluded, would see the profits of consolidation and thereafter the board hoped to see the profits of growth.

Turnover last year was up some 9 per cent to £31.38m and the operating profit 7 per cent to £3.41m.

Other income amounted to £152,000 (£304,000) and financial charges were £155,000 (£179,000). Tax took £1.17m (£1.36m) and there were extraordinary items of £168,000 (£1.14m).

Earnings per £1 share were up from 24.8p to 27p and a final dividend of 4.35p makes a total of 7.75p (7p).

All-round progress boosts Osborne & Little to £843,000

BY ALICE RAWSTHORN

Osborne & Little, the Sloane Rangers' favourite source of wallpaper and furnishing fabric, yesterday unveiled a 66 per cent increase in pre-tax profits to £843,000 for the first half of the financial year.

Sir Peter Osborne, chairman, said that the company had performed well in every area of activity during the interim period. Unlike other upmarket businesses Osborne's sales had not suffered in the wake of the *stock market collapse*. Sir Peter said that November, the first full month after "Black Monday", had been the company's best ever month.

Group sales increased by 36 per cent to £5.2m in the six months to September 30. Osborne paid £300,000 (£186,000) in taxation. Earnings per share rose to 7.8p (4.62p) and the board declared an interim dividend of 1.7p (1.3p).

Within the domestic market, trade sales grew by 20 per cent, while the four retail outlets sported sales growth of 40 per cent. Osborne was presently expanding its recently established contract division. Work had begun to build a new showroom in London.

Sir Peter said that the group was eager to expand the number of its retail outlets, but that expansion would be inhibited by the need to protect the competitive interests of its existing trade *customers*.

Overseas sales rose by 25 per cent. The US emerged as one of the fastest growing export markets following the opening of the first overseas showroom in New York. This showroom should break even by the end of the second half and produce a profit *next year*.

Once the New York showroom was profitable, the group would consider whether or not to open showrooms in other cities across the US. It had recently expanded its export management team and had begun to distribute its own products in West Germany. If this venture was *successful, it* might begin direct distribution in other European markets.

Sir Peter said that the present level of trading was buoyant and that the new collections launched this autumn had been well received. He noted the increased level of competition within the home furnishings field, but said that the group remained committed to its present design strategy.

Braithwaite on growth path after £905,000

TAKING IN the Andrews Group which was acquired last June, **Braithwaite Group** lifted first half profits from £106,000 to £905,000.

They have already forecast a dividend of 3p after a two year lapse, and said yesterday that payment would be in excess of *that*.

Analysts are expecting pre-tax profits of about £3.5m for the year ended March compared with losses of £248,000 in 1986-87.

Mr John Nutt, chairman, said the Andrews business was traditionally weighted towards the winter, and was showing strong growth. The engineering side was well placed and was expected to perform in line with budgets.

Overall, the first two months of the second half were showing continued growth and increasing opportunities for expansion into new business areas.

In the half year Braithwaite was involved in engineering, including the design and installation of water tanks, and, through Andrews, the manufacture, hiring and selling of heating, drying and air-conditioning equipment to industry.

The acquisition of Andrews was the first step by the new *management team - Mr Andrew* Fitton and Mr Stuart Ross - to turn Braithwaite into a more broadly based industrial holding group, and on Monday they announced the sale of the water tank business.

Since the end of the half year the group had also sold its head office in *Leatherhead*, and purchased Calorex Heat Pumps-used in swimming pools.

The half year showed turnover surging to £10.64m (£4.5m) and operating profit to £963,000 (£242,000). Interest payable was cut to £58,000 (£136,000).

Tax this time took £322,000 and minorities £25,000, to leave earnings at 5.7p (3.6p) per share.

COMMODITIES AND AGRICULTURE

Lucy Kellaway and Richard Johns preview the Opec meeting

Stage set for battle over oil accord

THE SCORES of analysts, traders, journalists and other assorted Opec watchers who checked into Vienna's luxury hotels yesterday were preparing themselves to watch a long, drawn-out and bloody fight. The meeting, which starts today, takes place against the background of a weakening oil market and more disunity among members than for more than a year.

An accord between Saudi Arabia and Iran, which formed the basis of the present agreement, has been lacking since the Mecca incident in the summer, and it is doubtful whether they will be able to overlook their differences in the interests of a common end.

Unless Opec can inject new life into its year-old accord on production and prices, most analysts believe it will risk a sharp fall in prices.

Despite such widespread gloom, the oil market has been surprisingly steady. Yesterday prices were about 50 cents higher than two weeks ago, when it became clear that most members had effectively abandoned their offical selling price formulas. It seems that the market learnt a lesson during the last two Opec meetings, when an unexpected degree of accord between members led to a steep rise in prices.

This time many traders have been instructed not to gamble on the outcome of the meeting, and volumes have been tiny.

Once the meeting is over, the story may be quite different. *Hoare Govett, the stockbrokers,* is predicting that prices will fall by as much as $3 a barrel on the assumption that the meeting will be "unsatisfactory and inconclusive."

Saudi oil minister Hisham Nazer

However, other analysts are marginally more optimistic. Mr David Gray of stockbroker James Capel is expecting a "halfway plausible outcome that will keep things going for the time being." This would involve rolling over the present quotas, although bringing Iraq, which has until now been outside the quotas, into line.

Members must agree on two main issues: price and production. The first issue is expected to be relatively easy, as nearly all members of Opec have rallied around Saudi Arabia's insistence that the benchmark price should be left at the present level of $18, with Iran becoming increasingly isolated in its call for an increase in prices of $2.70 a barrel.

At the last meeting in June it was tentatively agreed that prices could be increased to about $20 at this meeting, partly to compensate for the fall in the value of the dollar since the existing price came into effect last December, and partly reflecting a projected increase in demand next year.

However, the room for increasing prices has been squeezed by Opec's persistent overproduction, which, for much of the summer and autumn, was running at more than 19m barrels a day (compared with a quota of 16.6m b/d).

Furthermore, the darker prospects for economic growth following the stock market crash have left forecasts for demand growth of about 1.5 per cent next year looking optimistic.

Members are also divided on the appropriate quota for the year. While price hawks such as Algeria are anxious for the overall quota to be cut from the present level, Kuwait and many of the other Arab members believe that the market can accommodate a higher quota.

In addition, sharing any change in the quota between members is likely to be particularly difficult. Saudi Arabia has said repeatedly that it is not prepared to play the part of swing producer, and other members are not likely to accept any reduction in the quota, especailly if it is to accommodate Iraq or the United Arab Emirates, both of which have been consistently producing at above their allocated quotas.

The aim of incorporating Iraq into a new production sharing pact on a parity with Iran seems doomed to failure. Iraq has expressed its willingness to reduce its output to the level of nearly 2.37m b/d entitlement of Iran under the pact agreed in June.

With a notional Opec ceiling of 16.6m b/d, Iraq, which was not a party to the accord, was conceded a notional quota of 1.54m b/d but in practice – with the increase in its export capacity – it has acheived a rate of about 2.75m b/d since the late summer.

Iran predictably repeated its refusal to contemplate any parity with Iraq. At the same time other Opec members will also take issue with the UAE's gross violation of its entitlement of 948,000 b/d, with the International Energy Agency in its most recent market report having calculated the federation to have been producing at a rate of 1.9m b/d over the past two months.

If the existing level is maintained, with Iraq included at parity with Iran, the total quota would rise to 17.5m, still about 700,000 b/d less than present production. Most of the excess is made up by Iraqi production, which is estimated to be running at about 2.8m b/d, and by the UAE, which are producing almost 50 per cent more than their quota of 950,000 b/d.

The testing time will come in the spring, when demand is at its weakest. Because of recent overproduction, stocks are at an unusually high level for the time of year and threaten to depress prices early next year as they are depleted.

According to some analysts, demand could fall as low as 15m barrels a day which, if sustained for more than a month, could depress prices sharply unless Opec practices stringent production restraint.

With so much to discuss, most onlookers expect the meeting to drag on for a week at least, although others point out that Opec has learnt that short meetings tend to be more effective.

Indonesia welcomes barter tea deal

By John Murray Brown in Jakarta

INDONESIAN TEA traders have welcomed a countertrade deal signed with Pakistan which ends a nagging dispute over import licences.

Under the deal, worth US$20m over two years to Indonesia, tea is exchanged for various Pakistani engineering goods. The accord should help to revive the Jakarta tea auction. Prices have been badly affected by Pakistan's earlier decision to suspend all import agreements.

The deal was signed last week by a visiting Pakistan trade delegation and two private Indonesian companies. It is equivalent to annual shipments of about 7.5m kg at current prices. Last year's trade with Pakistan has been put at 9m kg.

Traders, however, appeared happy with the accord. Pakistan is trying to reduce its import bill, and Kenya, Pakistan's main supplier, and China have still to be awarded licences.

Indonesian tea officials had earlier opposed such countertrade arrangements with Pakistan, the world's third largest tea importing country. In 1986 Pakistan accounted for 12 per cent of Indonesia's exports.

The deal is to handled by Reafort Praisma and Prima Comexindo Trading, which will charge a 3 per cent commission, in part reflecting the expected difficulties in off-loading Pakistani goods to third parties.

Reafort is the Indonesian partner of Cargill, the large US grain dealer.

UK pushes ahead with cereal set-aside plan

BY DAVID BLACKWELL

"ONE WAY or another land is going to have come out of cereal production," Mr John MacGregor said earlier this year shortly after being appointed Minister of Agriculture.

Yesterday he took Britain further down the road towards a scheme under which farmers will volunteer to be paid not to grow cereals on their land. He launched the UK proposals for a scheme of "extensification" - European Community jargon for the idea of cutting surpluses by offering financial inducements to farmers to curtail production.

If all goes well, from April 1 next year many British farmers will be getting an estimated £150 to £200 for every hectare which they leave fallow, plant with trees or use for non-agricultural purposes. They will be expected to reduce their output by 20 per cent over five years.

Mr MacGregor was keen to point out that the development of such schemes within the EC has been a British initiative – the idea was first floated to EC Agriculture Ministers in September last year by Mr Michael Jopling, the previous minister.

The current proposals – the first to be made by an EC state – follow decisions taken in Brussels earlier this year on a package of Common Agriculture Policy reforms. Each member state is under obligation to produce a plan by April 1 next year aimed at reducing the grain and beef surpluses.

Those decisions – taken under *the socio/structural package* – preceded the recent somewhat vaguely worded EC plan for a Community-wide set-aside scheme. This was brought into the crucial negotiations last month on agricultural "stabilisers," which are intended to cut prices automatically once crop production targets are breached.

The UK is continuing to discuss with the EC the wider set-aside scheme, which could end up affecting all arable land, said Mr MacGregor. He had held back from publishing the current proposals before last weekend's *Copenhagen summit for fear* that it might reach wider decisions which would have had to be taken into account.

John MacGregor: offering inducements to farmers

In the event no decisions were reached in Copenhagen on either the set-aside scheme or stabilisers. Mr MacGregor now feels he has given the farming industry the longest possible time for consultation with the Ministry over the British scheme. The consultation process must end by February 2 for the scheme to be ready by April 1.

Outlining the current UK proposals, Mr MacGregor said they were "*not the great British plan* to solve the cereal surplus." They were designed to complement the separate programme of stabilisers.

Neither was Britain set to go it alone with an extensification scheme. "I would not go ahead in the UK if I didn't see other states developing their own schemes and prepared to go ahead with them," he said.

He would not give a target acreage to be taken out of production, but was waiting to see how many farmers came forward to take up the extensification scheme. The estimated £150 to £200 a hectare outlined in the proposals could be revised, but the budget he was working within would remain at £16.5m for 1989-90 and £22m for the following year.

Mr MacGregor is convinced that such a system will work better than direct income aids, and will prove more cost effective for the British taxpayer than other schemes. Critics of extensification, however, point out that it is anathema to many farmers, now used to maximising yields per hectare, to allow productive land to lie fallow. Others say that only the most unproductive land will be taken out of production.

The National Farmers' Union yesterday welcomed the proposals as a "first step" in the direction of cutting surpluses. But Mr Simon Gourlay, president, said that on initial assessment the NFU was "very dopubtful that this scheme, even if fully matched elsewhere in the EC, will have any substantial impact on cereal supplies."

Despite Mr MacGregor's *insistence* that Britain is pioneering the idea, a set-aside scheme has been in existence in Lower Saxony, West Germany, since 1986. Officials there believe its potential is being proved, although no one can be precisely sure how far output has been lowered.

That scheme has proved easy and cheap to administer with fewer than 10 per cent of the farmers trying to cheat. The key to success there would seem to depend very much on the levels of compensation offered to farmers.

In the UK, Mr MacGregor is hoping for the widest possible *consultations before finalising* the scheme. "I'm not setting targets - we are very much experimenting," he said yesterday.

Warning on aluminium production costs

BY KENNETH GOODING, MINING CORRESPONDENT

IF THE DOLLAR continues to fall, Europe could soon take over from the US as the world's high cost *aluminium producer*, according to the latest report by Anthony Bird Associates.

That could create problems for the European companies which are less flexible than the Americans and less ready to cut production in a downturn, it says.

The report suggests that the cost of producing aluminium is no longer falling. The average cost of aluminium smelters in the West rose slightly in 1987 from 45.8 cents a lb last year to 47.3 cents.

If capital charges such as interest and depreciation are included, the average cost is 63 cents a lb.

The report suggests that those large companies which have production costs (excluding interest and depreciation) that are above the average include Alumax (51 cents), Alusuisse (52 cents), Kaiser (53 cents) and Reynolds (49 cents).

Those below the average include Alcan (47 cents), Alcoa (46 cents), Comalco (44 cents), Hydro Al (46 cents), Pechiney (43 cents, and VAW (46 cents).

Aluminium Production Costs. Anthony Bird Associates, 193 Richmond Road, Kingston, Surrey KT2 5DD,UK, £3,900.

● Although there have been substantial tariff cuts on aluminium in recent years, many trade restrictions still exist, says a study by the General Agreement on Tariffs and Trade.

One particular problem is that, while most countries put minimum or no duties on bauxite the raw material from which the metal is produced, the tariff rates rise along with the higher stages of aluminium processing.

Some countries – developed as well as developing – apply non-tariff measures such as embargo, quotas, discretionary licensing and prior import deposits to exports and imports of aluminium products, the study suggests.

It points out that the proportion of aluminium produced for export is rapidly rising. About 37 per cent of world aluminium production was exported in 1984 compared with only 25 per cent in 1960.

Ore producers such as Australia and several developing countries have become significant exporters of aluminium metal. Japan has drastically curtailed local processing and is the largest importer.

Background study on aluminium and aluminium products, English, French or Spanish, GATT, 154 rue de Lausanne, 1211 Geneva 21, Switzerland, SFr50.

Call to change forests policy

GOVERNMENT policy towards new forests needs to be radically changed to promote the planting of a greater variety of trees, says the Countryside Commission in a report published yesterday.

The report, Forestry and the Countryside, says the present policy of planting mainly conifers for timber production cannot be justified in today's Britain. A greater variety of broad leaved trees in lowland forests is needed, the report says. These could enhance the natural beauty of the countryside as well as providing sites for public enjoyment.

Major areas of woodland on the outskirts of big cities as well as a new 150 square mile forest in the midlands should be investigated.

Reduced US grain stock fears

BY NANCY DUNNE IN WASHINGTON

LOW PRICES, growing demand and bonus giveaways of surplus crops have so reduced US stocks that some analysts are worrying about a future shortage of American grain.

Mr M R Laserson, executive vice-president of Continental Grain Company, has warned the US to "avoid the cycle of scarcity that has followed plenty since the time of the Biblical Joseph. Two or three years ago, it was popular to say the world was awash in grain," he said at the Agriculture Department's outlook conference last week. "We have had our bath, and it is time to take a clean look."

According to Mr Laserson's arithmetic, the US may have to ration maize suppliers if too much land is entered in the *government's acreage set aside next* year. He assumes that 1988-89 utilisation will be similar to this year's 7.8bn bushels with lower domestic usage and a modest increase in exports.

A crop of 7bn bushels next year would reduce the amount carried over to 3.5bn bushels. Of that 1.3bn, nearly one-third, could be in the farmer-owned reserve, which is isolated from the market by law unless prices rise.

The last time the US had as many acres taken out of production as is contemplated for next year was in 1983 when the maize crop produced 5.3bn bushels. A repeat of that scenario "would lower the pipeline supply to an impossible level unless it substantially decreases utilisation through price rationing.

A paper produced by the Kansas City Board of Trade notes that the recently instituted auctions of millions of tonnes of wheat from government stocks is necessary "to alleviate tight free stocks" supplying subsidised sales to the Soviet Union and China.

"By some estimates, only about 25 per cent of the 1987 wheat crop remains to be marketed, and as much as 15 per cent is in strong hands, and thus is unlikely to enter the pipeline," the paper says. "This would translate to free supplies of less than 300m bushels. The Soviet and Chinese export and enhancement programme (subsidies) alone would take about 125m bushels, leaving insufficient supplies to meet other export demand and domestic demand remaining this crop year."

Another speaker at last week's conference, Mr Donald Hilger, a senior economist at Cargill, warned of tight free stocks and said that government grain is needed to move into the marketplace at competitive prices. "Idled acreage in 1988 may exceed 1987," he said, thus sharply reducing government stocks.

WEEKLY METALS

All *prices* as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,300-2,340 (2,270-2,320).

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse 4.40-4.65 (same).

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots 2.98-3.05 (2.90-3.00), sticks 2.98-3.05 (2.90-3.00).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse 6.45-6.70 (6.50-6.70).

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 268.280 (275-290).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse 2.83-2.90 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb in warehouse, 7.30-7.50 (7.05-7.25).

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif, 48-58 (47-57).

VANADIUM: European free market min 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif 2.80-2.90 (same).

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 16.45 (16.75).

WORLD COMMODITIES PRICES

LONDON MARKETS

Nickel prices continued to move sharply ahead on the London Metal Exchange yesterday and the second position contract added £213.50 a tonne to reach £3,917.50 at the close. During afternoon ring trading the price reached £3,935 a tonne, the highest level for two and a half years. The current bullish sentiment reflects expectations that demand for nickel from the Japanese stainless steel industry will remain high into the new year and there will be reduced supplies from the Soviet Union where there appear to be producion problems, traders said. Chart-related buying by institutions has been in evidence since the price breached the £3,650 mark but some traders suggested that the chartists' target of £4,000 a tonne has been approached too quickly and some consolidation is needed if the market's rise is not to become overextended.

SPOT MARKETS		
Crude oil (per barrel FOB December)		+ or -
Dubai	$16.40-6.43z	–0.195
Brent Blend	$17.55-7.65	–0.175
W.T.I.(1 pm est)	$18.30-8.35z	–0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	180-182	
Gas Oil	166-168	–2
Heavy Fuel Oil	80-81	
Naphtha	153-155	–1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$484	+2
Silver (per troy oz)♣	672c	+1
Platinum (per troy oz)	$494.50	+6.75
Palladium (per troy oz)	$116.25	+2.00
Aluminium (free market)	$1725	+50
Copper (US Producer)	115½-128c	+0.50
Lead (US Producer)	42c	
Nickel (free market)	320c	+10
Tin (European free market)	£3855	+5
Tin (Kuala Lumpur market)	16 95r	–0.08
Tin (New York)	319c	–0.5
Zinc (Euro. Prod. Price)	$880	
Zinc (US Prime Western)	44.375c	
Cattle (live weight)†	106.81p	+4.31*
Sheep (dead weight)†	205.02p	+5.92*
Pigs (live weight)†	72.03p	+0.86*
London daily sugar (raw)	$204.00w	+2.00
London daily sugar (white)	$209.50w	+2.50
Tate and Lyle export price	£220.00	+1.50
Barley (English feed)	£109.00	–1.00
Maize (US No. 3 yellow)	£133.50	
Wheat (US Dark Northern)	£91.50y	–1.75
Rubber (spot)♥	62.50p	
Rubber (Jan) ♥	64.50p	
Rubber (Feb) ♥	64.50p	
Rubber (KL RSS No 1 Jan)	269.00m	+0.50
Coconut oil (Philippines)§	$525w	
Palm Oil (Malaysian)§	$405	
Copra (Philippines)§	$345	+5
Soyabeans (US)	£146	+3
Cotton "A" index	73.95c	–0.15
Wooltops (64s Super)	484p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Dec/Jan. v-Jan/Feb. x-Nov/Dec. z-Jan. y-Apr/May. † Meat Commission average fatstock prices. * change from a week ago. ♥ London physical market. § CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg

COCOA £/tonne	Close	Previous	High/Low	
Dec	1006	1017	1022	1005
Mar	1043	1048	1057	1036
May	1061	1066	1076	1056
Jly	1081	1086	1095	1080
Sep	1101	1106	1115	1100
Dec	1125	1133	1137	1121
Mar	1150	1156	1165	1147

Turnover: 3739 (6525) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for December 8: 1348.05 (1357.47*) .10 day average for December 9: 1420.33 (1432.68*). *Official correction.

COFFEE £/tonne	Close	Previous	High/Low	
Jan	1234	1232	1236	1222
Mar	1257	1255	1259	1244
May	1280	1274	1279	1265
Jly	1294	1292	1287	1284
Sep	1308	1308	1300	1299
Nov	1325	1330	1314	
Jan	1350	1355		

Turnover: 2323 (1017) lots of 5 tonnes
ICO indicator prices (US cents per pound) for December 7: Comp. daily 115.01 (115.27); 15 day average 115.94 (115.99).

SUGAR $ per tonne				
Raw	Close	Previous	High/Low	
Mar	178.40	182.80	182.60	178.00
May	178.40	182.40	182.00	178.20
Aug	178.80	182.80	182.40	178.60
Oct	180.00	184.00	185.60	179.80
Dec	182.00	185.80		
Mar	185.40	189.60	186.00	
May	188.60	191.80		
White	Close	Previous	High/Low	
Mar	212.40	215.00	215.70	212.00
May	216.00	219.00	219.00	216.70
Aug	220.00	224.00	223.70	220.50
Oct	220.00	224.00	224.00	223.00
Dec	221.50	224.00		
Mar	228.00	229.00	229.00	228.00
May	232.00	231.00		

Turnover: Raw 2304 (1944) lots of 50 tonnes; White 1161 (2244).
Paris- White (FFr per tonne): Mar 1205, May 1225, Aug 1265, Oct 1265, Dec 1270, Mar 1299.

GAS OIL $/tonne	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GRAINS £/tonne	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	1690-1710	1670-80		1720-30		
3 months	1665-75	1655-65		1665-85	1665-75	2,416 lots
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

POTATOES £/tonne	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL £/tonne	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FREIGHT FUTURES $10/index point	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON BULLION MARKET		
[illegible]	[illegible]	[illegible]

LONDON METAL EXCHANGE TRADED OPTIONS		
[illegible]	[illegible]	[illegible]

COTTON
[illegible]

US MARKETS

Precious metals were featureless, opening steady on local and commission house buying before trade selling pared gains, reports Drexel Burnham Lambert. Copper firmed on early commission house buying into local scale-up selling, but trade and arbitrage selling eased prices back. Crude oil firmed on early trade buying and local buying which touched off light stops. The funds were noted sellers as the Opec meeting is awaited. Cocoa consolidated following recent volatility. Coffee steadied on short-covering. Sugar eased on trade and commission house selling. Cotton was dominated by local activity. Cattle eased reflecting eroding cash prices, while bellies and hogs firmed in response to light hog runs and firmer cash. Wheat eased following the USDA's rejection of bids from China and the Soviet Union. Maize firmed on prospects of improved exprot business but then eased in line with soyabeans and wheat. Soya oil was firm reflecting strong palm oil and European prices, meal eased on crusher selling while beans fell on commercial selling.

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
Dec	483.5	481.5	485.0	483.5
Jan	485.3	483.2	0	0
Feb	488.5	486.5	490.3	487.8
Apr	494.7	492.4	496.5	494.3
Jun	500.8	498.4	502.3	500.2
Aug	507.1	504.6	506.0	509.0
Oct	513.7	511.1	516.5	514.0
Dec	520.4	517.8	522.0	520.0
Feb	527.3	524.6	528.0	526.0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Dec	491.4	487.5	0	0
Jan	494.4	491.0	499.0	494.0
Apr	503.3	499.5	506.5	503.0
Jul	511.8	508.0	515.0	513.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel	Close	Previous	High/Low	
Jan	18.29	18.25	18.38	18.15
Feb	18.00	17.99	18.08	17.87
Mar	17.86	17.86	17.94	17.76
Apr	17.28	17.82	17.90	17.28
May	17.75	17.77	17.85	17.55
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDICES				
REUTERS (Base: September 18 1931 = 100)				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DOW JONES (Base: December 31 1974 = 100)				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
Jan	587/2	589/6	593/4	582/0
Mar	595/4	598/6	602/0	590/4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lbs	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lbs; cents/lb	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Little change in dollar

TOMORROW'S RELEASE of US trade figures for October kept trading volume to a minimum in currency markets yesterday. Most of the business seen was confined to position squaring ahead of the announcement.

The dollar was restricted to a very narrow range as a result. Most analysts were not too keen about the prospects of an improvement on September's $14.08bn shortfall. However a figure of up to $15bn was not seen as being bad enough to put renewed downward pressure on the dollar, although a deficit larger than this would certainly prompt renewed dollar selling.

For the time being however, there was no incentive to take out positions either way and as a consequence, the dollar was little changed from overnight levels.

Comments by Mr Alan Greenspan, chairman of the US Federal Reserve Board, stressing the need for fiscal discipline and careful *money supply policies* in order to foster economic growth, appeared to have little initial effect.

The dollar closed at DM1.6680 down from DM1.6715 on Monday and Y132.70 compared with Y132.75. Elsewhere it slipped to SFr1.3640 from SFr1.3660 and FFr5.6525 compared with FFr5.6650. On Bank of England figures, the dollar's exchange rate index fell from 95.6 to 95.5.

STERLING-Trading range against the dollar in 1987 is 1.8260 to 1.4710. November average 1.7770. Exchange rate index 75.7, unchanged from the opening and Monday night's close. The six months ago figure was 72.7.

Sterling was confined to a very narrow range. The threat of *intervention by the Bank of* England was again successful in keeping the pound below the DM3.00 level and with the dollar virtually unchanged, so the pound lacked motivation. It closed at $1.7965 compared with $1.7945 but slipped a little against the D-Mark to DM2.9975 from DM3.00. It was slightly higher against the yen at Y238.50 from Y238.25 and finished elsewhere at SFr2.4500 from SFr2.4525 and FFr10.1550 from FFr10.1650.

D-MARK-Trading range against the dollar in 1987 is 1.9395 to 1.6400. November average 1.6809. Exchange rate index 150.9 against 147.4 six months ago.

Activity was confined to a few small scale commercial orders in Frankfurt. Traders were not willing to open fresh positions ahead of tomorrow's release of US trade figures.

The dollar closed at DM1.6690 from DM1.6670 at the fixing and DM1.6705 on Monday. The Bundesbank's decision to leave its sale and repurchase rate at 3.25 p.c. seemed to have little effect on trading. There was no sign of any central bank intervention.

JAPANESE YEN-Trading range against the dollar in 1987 is 159.45 to 132.45. November average 135.90. Exchange rate index 231.9 against 222.2 six months ago.

Trading was confined to a narrow range in Tokyo. The dollar's modest improvement in New York was reversed as dealers adjusted positions ahead of October's trade figures. It closed at Y132.80 down from Y132.95 in New York but up from Y132.65 in Tokyo on Monday.

While sellers quickly entered the market as the Y133.0 level was approached, so nervous *shortcovering developed* near Y132.0. It is at this level that some dealers suggested central banks would intervene.

£ IN NEW YORK

Dec 8	Latest	Previous Close
£ Spot	1.7060-1.7970	1.7855-1.7865
1 month	0.06-0.04pm	0.09-0.07pm
3 months	0.30-0.26pm	0.34-0.30pm
12 months	1.18-1.08pm	1.20-1.10pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Dec 8	Previous
8.30	am	75.7	75.6
9.00	am	75.7	75.6
10.00	am	75.7	75.7
11.00	am	75.7	75.7
Noon		75.7	75.7
1.00	pm	75.7	75.8
2.00	pm	75.7	75.8
3.00	pm	75.7	75.7
4.00	pm	75.7	75.7

CURRENCY RATES

Dec 8	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	-	0.757272	0.689116
U.S Dollar	6½	1.36099	1.23834
Canadian $	8.73*	—	1.62099
Austrian Sch.	3	—	14.5307
Belgian Franc	7	47.3825	43.1624
Danish Krone	7	8.74178	7.96067
Deutsche Mark	2½	2.26810	2.06493
Neth. Guilder	3½	2.54975	2.32300
French Franc	9½	7.68329	6.99910
Italian Lira	12	—	1521.30
Japanese Yen	2½	180.628	164.390
Norway Krone	8	8.79894	8.00154
Spanish Peseta	-	—	139.561
Swedish Krona	7½	8.20912	7.46781
Swiss Franc	2½	1.85446	1.68786
Greek Drach.	20½	178.785	162.842
Irish Punt	-	—	0.77566

*C$/SDR rate for Dec 7 1.78085

CURRENCY MOVEMENTS

Dec 8	Bank of England Index	Morgan Guaranty Changes %
Sterling	75.7	-18.1
U.S Dollar	95.5	-11.0
Canadian Dollar	77.1	-10.8
Austrian Schilling	142.0	+10.8
Belgian Franc	101.4	-3.5
Danish Krone	94.0	+2.7
Deutsche Mark	150.9	+23.4
Swiss Franc	181.0	+26.0
Guilder	138.4	+15.6
French Franc	72.4	-13.3
Lira	47.5	-18.8
Yen	231.9	+73.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100).

OTHER CURRENCIES

Dec 8	£	$
Argentina	7.5970-7.6900	4.2300-4.2800
Australia	2.5680-2.5710	1.4295-1.4305
Brazil	64.775-65.100	116.335-116.985
Finland	7.3525-7.3660	4.0950-4.0970
Greece	234.05-238.15	130.40-132.60
Hong Kong	13.9725-13.9895	7.7810-7.7830
Iran	121.60*	67.25*
Korea(Sth)	1414.90-1427.70	792.50-798.90
Kuwait	0.49590-0.49640	0.27615-0.27625
Luxembourg	62.55-62.65	34.80-34.90
Malaysia	4.4900-4.5015	2.5015-2.5025
Mexico	4014.00-4053.00	2235.00-2255.00
N. Zealand	2.8130-2.8180	1.5635-1.5660
Saudi Ar.	6.7340-6.7400	3.7495-3.7505
Singapore	3.6510-3.6585	2.0345-2.0355
S. Af (Cm)	3.5180-3.5340	1.9605-1.9645
S. Af (Fn)	5.4445-5.6140	3.0305-3.1250
Taiwan	52.15-52.45	29.20-29.30
U.A.E.	6.5955-6.0615	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Dec 8	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1624	N/A	N/A	±1.5344
Danish Krone	7.85212	7.96067	N/A	N/A	±1.5404
German D-Mark	2.05853	2.06493	N/A	N/A	±1.0981
French Franc	6.90403	6.99910	N/A	N/A	±1.3674
Dutch Guilder	2.31943	2.32300	N/A	N/A	±1.6684
Irish Punt	0.768411	0.775660	N/A	N/A	±1.6684
Italian Lira	1483.58	1521.30	N/A	N/A	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Dec 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7920-1.7990	1.7960-1.7970	0.06-0.03cpm	0.30	0.30-0.26pm	0.62
Canada	2.3510-2.3564	2.3525-2.3535	0.10-0.20cdis	-0.76	0.34-0.45dis	-0.67
Netherlands	3.36½-3.37½	3.36½-3.37½	1¼-1cpm	4.00	3⅜-3⅛pm	3.85
Belgium	62.47-62.80	62.55-62.65	20-5cpm	2.40	40-20pm	1.92
Denmark	11.53-11.56½	11.53½-11.54½	1⅛-3⅜oredis	-2.60	4-6dis	-1.73
Ireland	1.1235-1.1290	1.1250-1.1260	0.05pm-par	0.27	0.06pm-0.09dis	-0.27
W. Germany	2.99¼-3.00¼	2.99¼-3.00¼	1⅜-1¼pf pm	5.01	3⅞-3⅝pm	5.01
Portugal	242.86-244.62	243.13-244.62	92-143cdis	-5.78	290-390dis	-5.58
Spain	201.78-202.77	201.89-202.54	60-80cdis	-4.15	205-255dis	-4.55
Italy	2209¾-2210½	2209¾-2210½	par-5liredis	-1.36	12-18dis	-2.71
Norway	11.60-11.64½	11.61½-11.62½	6¼-7¾oredis	-6.91	18¾-19½dis	-6.52
France	10.14½-10.17	10.15-10.16	par-½cdis	-0.37	⅞-1½dis	-0.47
Sweden	10.82½-10.86	10.82½-10.83½	par-1½oredis	-0.62	1¼-2¼dis	-0.75
Japan	238-239	238-239	⅞-¾ypm	4.09	2½-2¼pm	3.98
Austria	21.05-21.10	21.06-21.08	7-6grops pm	3.70	19½-16pm	3.37
Switzerland	2.44½-2.45¼	2.44½-2.45¼	1⅛-⅞cpm	4.90	2⅞-2¾pm	4.59

Belgian rate is convertible francs. Financial franc 62.90-63.00. Six-month forward dollar 0.63-0.58c pm. 12-month 1.10-1.00 c pm.

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Dec 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7920-1.7990	1.7960-1.7970	0.06-0.03cpm	0.30	0.30-0.26pm	0.62
Ireland†	1.5935-1.5975	1.5950-1.5960	0.04dis-0.01pm	0.19	0.28-0.18pm	0.58
Canada	1.3075-1.3098	1.3085-1.3095	0.10-0.13cdis	-1.05	0.41-0.44dis	-1.30
Netherlands	1.8725-1.8790	1.8765-1.8775	0.61-0.58cpm	3.81	1.53-1.48pm	3.21
Belgium	34.79-34.90	34.80-34.90	7.00-4.00cpm	1.89	14.00-9.00pm	1.32
Denmark	6.41¾-6.44	6.42¼-6.42¾	1.05-1.75oredis	-2.62	3.45-4.15dis	-2.37
W. Germany	1.6645-1.6710	1.6675-1.6685	0.68-0.65pfpm	4.79	1.84-1.79pm	4.35
Portugal	135.40-135.80	135.45-135.75	50-100cdis	-6.63	175-325dis	-7.37
Spain	112.38-112.64	112.40-112.50	35-50cdis	-4.53	130-160dis	-5.15
Italy	1226-1231	1229¾-1230¼	2.80-3.00liredis	-2.44	8.50-11.50dis	-3.26
Norway	6.45½-6.48¼	6.46½-6.47½	3.70-4.05oredis	-7.20	11.30-11.70dis	-7.12
France	5.64½-5.66	5.65-5.65½	0.20-0.40cdis	-0.64	1.25-1.55dis	-0.99
Sweden	6.02½-6.04	6.02½-6.03½	0.40-0.70oredis	-1.09	1.85-2.25dis	-1.36
Japan	132.55-132.85	132.65-132.75	0.43-0.40ypm	3.75	1.19-1.14pm	3.51
Austria	11.72½-11.77	11.72½-11.73½	4.50-3.00gropm	3.84	11.00-9.00pm	3.41
Switzerland	1.3605-1.3685	1.3635-1.3645	0.55-0.50cpm	4.62	1.41-1.36pm	4.06

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.00-35.10.

EURO-CURRENCY INTEREST RATES

Dec 8	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lire	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Dec 8	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.797	2.998	238.5	10.16	2.450	3.373	2210	2.350	62.60
$	0.557	1	1.668	132.7	5.653	1.364	1.877	1230	1.310	34.85
DM	0.334	0.599	1	79.57	3.390	0.817	1.125	737.3	0.785	20.88
YEN	4.193	7.532	12.57	1000	42.60	10.27	14.14	9266	9.866	262.5
F Fr.	0.985	1.769	2.952	234.9	10	2.413	3.321	2176.	2.317	61.64
S Fr.	0.408	0.733	1.223	97.35	4.145	1	1.377	902.0	0.960	25.55
H Fl.	0.297	0.533	0.889	70.72	3.011	0.726	1	655.3	0.698	18.56
Lira	0.452	0.813	1.356	107.9	4.595	1.109	1.526	1000.	1.065	28.33
C $	0.425	0.763	1.274	101.4	4.316	1.041	1.433	939.2	1	26.60
B Fr.	1.597	2.870	4.788	381.0	16.22	3.914	5.387	3530.	3.759	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Volatile but not active

TRADING WAS fairly volatile in financial futures yesterday, although traders said there were very few external influences on the market, and the volume of business was not high.

Currency movements, particularly the weakness of the dollar, point towards another possible cut in UK bank base rates, but the cash market moved a little firmer yesterday, and this was reflected in weaker three-month sterling deposit futures.

March deposits opened unchanged at 91.51, the day's high, and fell to a low of 91.41, before closing only slightly higher at 91.42.

Dealers commented that the selling appeared to be designed to put increased pressure on the longer end of the market, but as far as gilts are concerned there is some sign of greater stability.

A steepening of the yield curve on fears that the pound will weaken next year, forcing interest rates higher, may have run its course, according to traders, while the level of market activity is expected to decline in the build up towards Christmas and the year end.

March long term gilts opened weaker at 118-21, and fell below resistance at 118-16, but held at 118-10, before rising in the afternoon, in sympathy with a partial recovery in US Treasury bonds. The market then met upward resistance at 119-03, and closed at 118-25, compared with 118-31 on Monday.

A firmer trend in equities weighed against gilts, with December FTSE 100 index futures opening higher at 163.50, and closing at 163.65, against the previous settlement of 161.00.

Trading in US Treasury bond futures was quiet on Liffe, but prices recovered in the afternoon, to close near the day's high at 86.03 for March delivery, although still down from Monday's finish of 86.14. Little change is expected before publication of the October US trade figures tomorrow.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
116	3.58	4.49	1.08	2.19
118	2.45	3.42	1.59	3.12
120	1.46	2.47	2.60	4.17
122	1.07	2.00	4.21	5.34
124	0.44	1.26	5.58	6.60
126	0.24	0.62	7.38	8.32
128	8.13	0.42	9.27	10.12
130	0.07	0.27	11.21	11.61

Estimated volume total, Calls 3710 Puts 619
Previous day's open int: Calls 23113 Puts 11150

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
82	5.03	5.14	0.61	1.60
84	3.44	4.03	1.38	2.49
86	2.25	2.60	2.19	3.42
88	1.31	2.09	3.25	4.55
90	0.57	1.33	4.51	6.15
92	0.32	1.03	6.26	7.49
94	0.17	0.45	8.11	9.27
96	0.08	-	10.02	-

Estimated volume total, Calls 7 Puts 9
Previous day's open int: Calls 767 Puts 702

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Jan	Puts-Last Dec	Puts-Last Jan
15000	9.59	13.63	0.94	2.48
15250	-	-	-	-
15500	-	-	-	-
15750	7.66	-	1.52	-
16000	5.95	10.24	2.30	4.09
16250	4.48	-	3.35	-
16500	3.27	7.41	4.62	6.26
16750	2.31	-	6.16	-

Estimated volume total, Calls 1 Puts 0
Previous day's open int: Calls 50 Puts 137

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-Last Dec	Jan	Feb	Mar	Puts-Last Dec	Jan	Feb	Mar
1.65	14.65	14.65	14.65	14.85	0.00	0.04	0.21	0.49
1.70	9.65	9.78	10.15	10.60	0.00	0.27	0.72	1.25
1.75	4.65	5.61	6.34	7.02	0.04	1.10	1.91	2.67
1.80	0.85	2.60	3.49	4.26	1.25	3.09	4.06	4.91
1.85	0.02	0.93	1.66	2.35	5.42	6.42	7.23	8.00
1.90	0.00	0.25	0.68	1.18	10.40	10.74	11.25	11.83
1.95	0.00	0.05	0.24	0.53	15.40	15.54	15.81	16.18

Estimated volume total, Calls 31 Puts 0
Previous day's open int: Calls 513 Puts 1442

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls-Last Dec	Jan	Feb	Mar	Puts-Last Dec	Jan	Feb	Mar
1.55	25.65	-	-	25.65	0.30	-	-	0.40
1.60	19.90	19.90	-	19.90	0.30	0.30	-	0.30
1.65	14.90	14.90	-	15.10	0.30	0.30	-	0.65
1.70	9.90	10.15	10.45	10.70	0.30	0.70	1.10	1.60
1.75	4.90	5.90	6.65	7.20	0.30	1.55	2.25	2.90
1.80	1.05	1.95	3.85	4.50	1.45	3.40	4.30	5.00
1.85	0.30	1.35	2.05	2.65	5.55	6.55	7.35	8.05

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 1287 Puts 698

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls-Last Dec	Jan	Feb	Mar	Puts-Last Dec	Jan	Feb	Mar
1.725	0	0.55	1.20	1.75	0	0.55	1.20	1.75
1.750	0.05	1.10	1.90	2.45	0.05	1.20	1.90	2.45
1.775	0.20	1.90	2.70	3.45	0.20	1.90	2.70	3.45
1.800	1.10	2.95	3.90	4.65	1.10	2.95	3.90	4.65
1.825	2.90	4.45	5.35	6.10	2.90	4.45	5.35	6.10
1.850	5.25	6.25	7.05	7.70	5.25	6.25	7.05	7.70
1.875	7.70	8.20	8.95	9.45	7.70	8.20	8.95	9.45

Previous day's open int: Calls 602,552 Puts 541,373
Previous day's volume: Calls 20,652 Puts 7,928

LIFFE- EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-Last Dec	Mar	Jun	Sep	Puts-Last Dec	Mar	Jun	Sep
89.75	2.34	2.42	2.21	2.11	0.00	0.01	0.07	0.26
90.00	2.09	2.18	1.99	1.90	0.00	0.02	0.10	0.30
90.25	1.84	1.94	1.77	1.71	0.00	0.03	0.13	0.36
90.50	1.59	1.71	1.55	1.52	0.00	0.05	0.16	0.42
90.75	1.34	1.48	1.35	1.34	0.00	0.10	0.27	0.57
91.00	1.09	1.26	1.16	1.17	0.00	0.10	0.27	0.57
91.25	0.84	1.05	0.98	1.01	0.00	0.14	0.34	0.66

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 2274 Puts 2136

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec	118-24	118-29	118-10	118-27
Mar	118-25	119-03	118-10	118-31
Jun	118-15	-	-	118-21

Estimated Volume 17786 (23860)
Previous day's open int. 26708 (26406)

8% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Mar	105.33	105.55	105.32	105.27
Jun	104.33	105.00	105.00	104.94

Estimated Volume 232 (263)
Previous day's open int. 600 (724)

THREE MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Dec	91.29	91.36	91.29	91.38
Mar	91.42	91.51	91.41	91.51
Jun	91.22	91.25	91.23	91.30
Sep	90.99	91.04	91.00	91.10
Dec	90.77	90.85	90.78	90.89

Estimated Volume 4262 (3782)
Previous day's open int. 26401 (26296)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec	163.65	166.10	163.00	161.00
Mar	166.15	167.10	165.50	163.75

Estimated Volume 2445 (1021)
Previous day's open int. 8127 (8111)

THREE MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Dec	92.09	92.10	92.08	92.17
Mar	92.16	92.16	92.08	92.24
Jun	91.89	91.89	91.85	91.99
Sep	91.60	91.60	91.57	91.67
Dec	91.31	91.30	91.28	91.38
Mar	91.08	-	-	91.14
Jun	90.88	-	-	90.94
Sep	90.71	-	-	90.76

Estimated Volume 6472 (4251)
Previous day's open int. 28042 (28060)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]

Estimated Volume [illegible]
Previous day's open int. [illegible]

CURRENCY FUTURES

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7965	1.7960	1.7937	1.7904	1.7860

IMM-STERLING $ per £

	Close	High	Low	Prev.
Dec	1.7965	1.7970	1.7925	1.7885
Mar	1.7940	1.7950	1.7930	1.7860
Jun	-	1.7900	-	1.7830

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Dec	1.7960	1.7960	1.7945	1.7940
Mar	1.7935	1.7935	1.7921	1.7920
Jun	1.7905	-	-	-

Estimated volume 46 (54)
Previous day's open int. 175 (167)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec	86-30	87-01	86-24	86-23
Mar	86-01	86-02	85-24	85-25
Jun	85-04	85-05	84-30	84-29
Sep	84-10	84-10	84-06	84-04
Dec	83-19	83-19	83-16	83-13
Mar	82-30	82-30	82-27	82-25
Jun	-	-	-	82-07
Sep	81-28	81-28	81-28	81-22
Dec	81-12	81-12	81-12	81-06
Mar	80-29	80-29	80-25	80-23
Jun	-	-	[illegible]	80-09

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec	94.09	94.11	94.03	94.07
Mar	93.61	93.62	93.57	93.58
Jun	93.35	93.33	-	93.30
Sep	-	93.02	92.97	93.00
Dec	-	-	-	92.72
Mar	-	-	-	92.50

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec	0.7343	0.7349	0.7336	0.7319
Mar	0.7415	0.7420	0.7407	0.7389
Jun	0.7492	0.7492	-	0.7466
Sep	-	0.7565	-	0.7546
Dec	-	-	-	0.7650

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Dec	-	0.7539	0.7532	0.7536
Mar	0.7607	0.7610	0.7602	0.7605
Jun	0.7673	-	0.7673	0.7674
Sep	-	-	-	0.7743
Dec	0.7833	0.7833	0.7833	0.7812

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Dec	0.5998	0.6000	0.5994	0.5972
Mar	0.6064	0.6066	0.6060	0.6036
Jun	0.6128	0.6128	0.6116	0.6098
Sep	-	-	-	0.6163
Dec	0.6250	0.6250	0.6250	0.6228

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec	92.09	92.11	92.07	92.12
Mar	92.15	92.15	92.10	92.12
Jun	91.88	91.89	91.84	91.86
Sep	91.58	91.58	91.54	91.56
Dec	91.29	91.30	91.26	91.29
Mar	91.06	91.06	91.03	91.06
Jun	90.86	90.87	90.83	90.86
Sep	90.68	90.70	90.67	90.69

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Dec	229.60	229.70	229.10	229.50
Mar	230.40	230.40	230.10	230.35
Jun	231.60	231.60	231.60	231.40
Sep	-	-	-	234.00

MONEY MARKETS

Slightly firmer

INTEREST RATES had a slightly firmer tone in London yesterday, reflecting fears that bank base rates may be forced higher by a deteriorating UK current account balance of payments next year.

Three-month interbank rose to 8$^{11}/_{16}$-8$^{9}/_{16}$ p.c. from 8⅝-8½ p.c. and one-year to 9-8⅞ p.c. from 8$^{15}/_{16}$-8$^{13}/_{16}$ p.c., as funds were again attracted into the short end of the market on speculation that base rates may be cut again, before moving higher.

UK clearing bank base lending rate 8½ per cent from December 4

Hopes of lower base are generally based on the strength of sterling against the dollar and D-Mark, amid suggestions the pound will move above DM3.00 unless there is a reduction in the differential between London and Frankfurt interest rates.

It has also been suggested that a weakening dollar could push sterling up to $2 by next spring, before the current account deficit leads to a weakening of the pound.

The Bank of England initially forecast a money market shortage of £300m, but revised this to £400m at noon. Total help of £419m was provided.

The authorities did not operate in the market before lunch, but in the afternoon bought £314m bills outright, by way of £38m Treasury bills in band 1 at 8⅜ p.c.; £172m bank bills in band 1 at 8⅜ p.c.; and £104m bank bills in band 2 at 8⅜ p.c.

Late assistance of around £105m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £504m, with a rise in the note circulation absorbing £70m and bank balances below target £60m. These outweighed Exchequer transactions adding £320m to liquidity.

In Frankfurt call money remained at 3.15 p.c. after the West German Bundesbank offered liquidity through a 35-day securities repurchase agreement tender, at a fixed rate of 3.25 p.c.

This was unchanged from the record low set at the previous two tenders, and caused some disappointment among dealers, who had hoped the rate would be cut to as low as 3 p.c., following last week's reduction in the German discount rate by ½ p.c. to 2½ p.c.

At the same time the general level of liquidity appears to be adequate for the market's requirements, and the central bank probably does not need to encourage still lower rates.

Dealers will get a further guide to the authorities view when the the Bundesbank announces whether it has fully replaced the DM11.8bn draining from the market as an earlier agreement expires today.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec 8) 3 months US dollars		6 months US Dollars	
bid 7⅞	offer 8⅛	bid 7⅞	offer 8⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	8.75
Broker loan rate	8-8⅛
Fed.funds	6⅞
Fed.funds at Intervention	6⅞

Treasury Bills and Bonds

One month	4.97	Three year	8.12
Two month	5.24	Four year	8.35
Three month	6.03	Five year	8.48
Six month	6.75	Seven year	8.84
One year	7.17	10-year	9.04
Two year	7.85	30-year	9.21

December 8	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.10-3.20	3.50-3.65	3.50-3.65	3.50-3.65	3.50-3.70	4.50
Paris	8.1825	8.25	8.375	8.4375	8.6875	7.75
Zurich	1.00	3.750	—	3.750	—	—
Amsterdam	4.50	4.5625	—	4.6875	—	—
Tokyo	3.78125	4.03125	—	3.90625	—	—
Milan	10.25	11.75	—	11.625	—	—
Brussels	6.70	6.6875	—	6.75	—	—
Dublin	7.25	8.375	8.6250	8.75	9.125	—

LONDON MONEY RATES

December 8	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	8.625	8.5625	8.625	8.625	8.8125	4.00
Interbank Bid	4.00	8.25	8.50	8.50	8.625	8.8125
Sterling CDs	-	-	8.50	8.50	8.625	8.6875
Local Authority Deps.	8.50	8.50	8.50	8.5625	8.625	8.75
Local Authority Bonds	-	-	8.75	8.8125	8.75	8.9375
Discount Mkt Deps.	8.50	8.375	8.375	8.00	-	-
Company Deposits	8.375	8.5625	8.5625	8.6875	8.75	8.8125
Finance House Deposits	-	-	8.5625	8.625	8.6875	8.9375
Treasury Bills (Buy)	-	-	8.3125	8.125	-	-
Bank Bills (Buy)	-	-	8.3125	8.25	8.25	-
Fine Trade Bills (Buy)	-	-	8.9375	8.875	8.9375	-
Dollar CDs	-	-	8.25-8.20	7.95-7.90	8.05-8.00	8.25-8.20
SDR Linked Dep Offer	-	-	6.625	6.50	6.50	6.6875
SDR Linked Dep Bid	-	-	6.375	6.25	6.25	6.4375
ECU Linked Dep Offer	-	-	6.875	7.00	7.0625	7.125
ECU Linked Dep Bid	-	-	6.75	6.875	6.9375	7.00

Treasury Bills (sell); one-month 8¼ per cent; three months 8⅛ per cent; Bank Bills (sell): one-month 8⅛ per cent; three months 8⅛ per cent; Treasury Bills; Average tender rate of discount 8.0872 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November 30, 1987. Agreed rates for period December 26 to January 25, 1988, Scheme I: p.c., Schemes II & III: p.c. Reference rate for period October 1 to November 30, 1987, Scheme IV: p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9.5 from December 1, 1987: Bank Deposit Rates for sums at seven days notice per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month per cent; one-three months per cent; three-six months per cent; six-nine months per cent; nine-twelve months per cent; Under £100,000 per cent from November 24, Deposits withdrawn for cash per cent.

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 88 Vol	Feb. 88 Last	May. 88 Vol	May. 88 Last	Aug 88 Vol	Aug 88 Last	Stock
GOLD C	$ 460	36	38 B	–	–	–	–	$ 484.10
GOLD C	$ 500	177	15	3	27	17	35 B	$ 484.10
GOLD C	$ 520	16	9.60	5	19.90	3	25	$ 484.10
GOLD P	$ 400	20	1	–	–	–	–	$ 484.10
GOLD P	$ 420	90	2	–	–	45	7	$ 484.10
GOLD P	$ 460	55	6	–	–	–	–	$ 484.10
GOLD P	$ 480	20	13	50	18	–	–	$ 484.10
		Dec. 87		Jan. 88		Feb. 88		
EOE Index C	Fl 160	48	6	30	12	38	16.50	Fl 161.77
EOE Index C	Fl 165	50	3.50	5	9.50	–	–	Fl 161.77
EOE Index C	Fl 170	37	2.50	98	7	3	11	Fl 161.77
EOE Index C	Fl 175	25	1.30 A	69	6	3	9.20	Fl 161.77
EOE Index C	Fl 180	8	0.90	30	3.80	–	–	Fl 161.77
EOE Index P	Fl 155	89	2.20	26	6.70	15	10.50	Fl 161.77
EOE Index P	Fl 160	208	4.30	15	9	10	11.50	Fl 161.77
EOE Index P	Fl 165	383	6.50	7	11.10	27	16	Fl 161.77
EOE Index P	Fl 170	114	9.50	26	14	–	–	Fl 161.77
EOE Index P	Fl 175	58	13.50	–	–	–	–	Fl 161.77
EOE Index P	Fl 185	106	23	20	26	10	26.50	Fl 161.77
EOE Index P	Fl 195	19	33	10	32	–	–	Fl 161.77
EOE Index P	Fl 240	40	79	10	77 B	–	–	Fl 161.77
EOE Index P	Fl 275	28	113	–	–	–	–	Fl 161.77
$/Fl C	Fl 185	–	–	200	4.50	–	–	Fl 187.62
$/Fl C	Fl 190	475	0.70	–	–	9	3	Fl 187.62
$/Fl C	Fl 200	–	–	60	0.60	–	–	Fl 187.62
$/Fl P	Fl 180	5	0.20	251	1.10	110	2.10	Fl 187.62
$/Fl P	Fl 185	152	0.70	7	2.60 B	2	4.10	Fl 187.62
$/Fl P	Fl 190	54	3.50	4	5.20	–	–	Fl 187.62
$/Fl P	Fl 195	15	7.30	–	–	–	–	Fl 187.62
		Jan. 88		Apr. 88		Jul. 88		
ABN C	Fl 52	170	0.10	–	–	–	–	Fl 37.30
ABN P	Fl 40	55	2.90	11	4	2	5.20	Fl 37.30
AEGON C	Fl 95	143	0.10	–	–	–	–	Fl 53.20
AHOLD C	Fl 110	34	0.20	2	0.70	–	–	Fl 60.50
AHOLD P	Fl 65	26	9	–	–	–	–	Fl 60.50
AKZO C	Fl 90	217	4.30	25	10	16	10.50	Fl 86.90
AKZO P	Fl 90	72	7	5	10.10	1	14.50 B	Fl 86.90
AMRO C	Fl 65	280	0.50	8	2.30	–	–	Fl 56
AMRO P	Fl 60	84	5.50	2	6	3	7.50 B	Fl 56
ELSEVIER C	Fl 45	55	0.50	10	2.30	2	3.20	Fl 38
ELSEVIER P	Fl 40	150	4.20	–	–	–	–	Fl 38
GIST-BROC. C	Fl 30	30	0.50	–	–	4	2.20	Fl 24.30
GIST-BROC. P	Fl 25	–	–	25	4	–	–	Fl 24.30
HEINEKEN C	Fl 180	–	–	10	1.20	100	2.50	Fl 119.20
HEINEKEN P	Fl 120	49	7.20 B	5	10.50	–	–	Fl 119.20
HOOGOVENS C	Fl 30	42	1.20	21	3.10	–	–	Fl 25.60
HOOGOVENS P	Fl 27.50	22	3.20	23	4.80	–	–	Fl 25.60
KLM C	Fl 27.50	35	1.50	219	3.10	2	5 A	Fl 25.70
KLM P	Fl 25	23	1.50	10	2.50	49	3.50	Fl 25.70
NEDLLOYD P	Fl 100	–	–	30	8	–	–	Fl 111
NAT.NED. C	Fl 55	359	0.50	31	1.50	1	3	Fl 44.80
NAT.NED. P	Fl 45	95	2.20 A	102	3.20	200	4.70	Fl 44.80
PHILIPS C	Fl 35	170	0.50	124	1.40	135	2	Fl 28
PHILIPS P	Fl 25	19	1.10	110	2.40	5	2.50	Fl 28
ROYAL DUTCH C	Fl 200	132	4.70	45	11.60	5	12.50 B	Fl 194.30
ROYAL DUTCH P	Fl 220	128	26.50	–	–	26	35	Fl 194.30
ROBECO C	Fl 80	15	4	–	–	–	–	Fl 79.70
ROBECO P	Fl 90	20	10.50	–	–	–	–	Fl 79.70
UNILEVER C	Fl 120	9	1.10	78	4.20	18	7	Fl 97.50
UNILEVER P	Fl 90	68	2.50	14	7	61	9.30	Fl 97.50

TOTAL VOLUME IN CONTRACTS : 14,497

A=Ask B=Bid C=Call P=Put

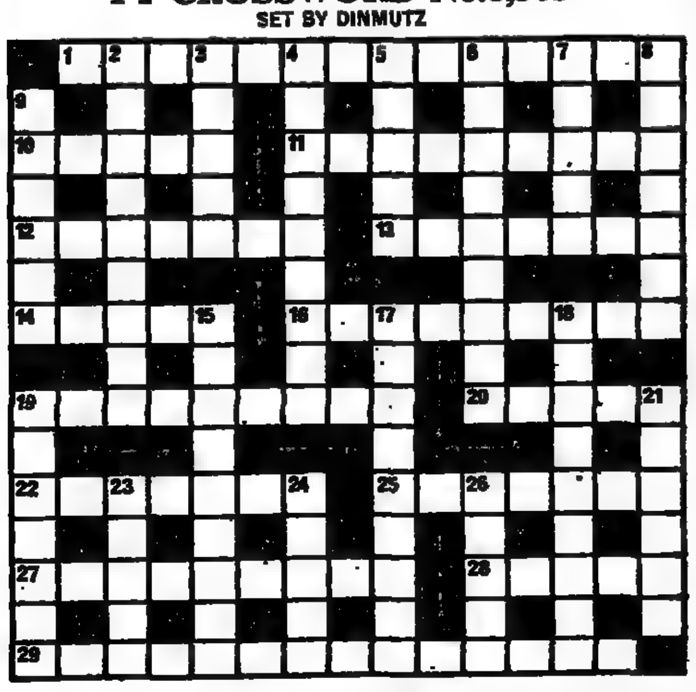
BASE LENDING RATES

	%
ABN Bank	8½
Adam & Company	8½
Allied Arab Bk	9
Allied Dunbar & Co	8½
Allied Irish Bank	8½
American Exp.Bk	8½
Amro Bank	8½
Henry Ansbacher	8½
ANZ Banking Group	8½
Associates Cap Corp	10
Authority Bank	8½
Banco de Bilbao	8½
Bank Hapoalim	8½
Bank Leumi (UK)	8½
Bank Credit & Comm	8½
Bank of Cyprus	9
Bank of Ireland	8½
Bank of India	8½
Bank of Scotland	8½
Banque Belge Ltd	8½
Barclays Bank	8½
Benchmark Tst Ltd	9
Beneficial Trust Ltd	10
Berliner Bank AG	8½
Brit Bk of Mid East	8½
● Brown Shipley	8½
Business Mtge Tst	9
CL Bank Nederland	8½
Central Capital	8½
Cayzer Ltd	8½
● Charterhouse Bank	8½
Citibank NA	8½
City Merchants Bank	8½
Clydesdale Bank	8½
Comm.Bk.N.East	8½
Consolidated Cred	8½
Co-operative Bank	*8½
Cyprus Popular Bk	8½
Duncan Lawrie	8½
Eqat'l Tst'a plc	9
Exeter Trust Ltd	9
Financial & Gen. Sec.	9
First Nat. Fin. Corp.	10
First Nat. Sec. Ltd.	10
● Robert Fleming & Co.	8½
Robert Fraser & Ptrs.	9½
Girobank	8½
Grindlays Bank	8½
● Guinness Mahon	8½
HFC Trust & Savings	8½
● Hambros Bank	8½
Heritable & Gen Inv Bk	8½
● Hill Samuel	§8½
C. Hoare & Co.	8½
Hongkong & Shangh	8½
Lloyds Bank	8½
Meghraj Bank Ltd	8½
Midland Bank	8½
● Morgan Grenfell	8½
Mount Credit Cpn Ltd	8½
Nat Bk. of Kuwait	8½
NatWestminster	8½
Northern Bank Ltd	8½
Norwich Gen. Trust	8½
PK Finans. Int'l(UK)	9
Provincial Trust Ltd	9½
R. Raphael & Sons	8½
Roxburghe G'rantee	10½
Royal Bk of Scotland	8½
Royal Trust Bank	8½
Smith & Williams Secs.	8½
Standard Chartered	8½
TSB	8½
UDT Mortgage Exp	†10.2
United Bk of Kuwait	8½
United Mizrahi Bank	8½
Unity Trust Plc	8½
Western Trust	8½
Westpac Bank Corp.	8½
Whiteaway Laidlaw	9
Yorkshire Bank	9

● Members of the Accepting Houses Committee. * 7 day deposits 3.50% Savewise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.61%. At call when £10,000+ remains deposited. † Mortgage base rate. § Demand deposit 3.99%. Mortgage 10% - 10.25

FT CROSSWORD No.6,503

SET BY DINMUTZ



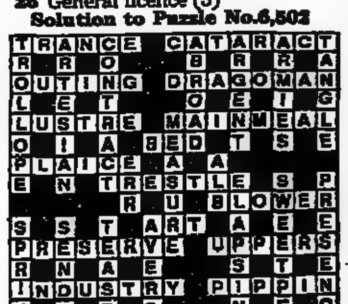
ACROSS

1 Here, new ethical problem set for fifth of November (9-5)
10 Hero of the Spanish force (2,3)
11 Army I fired before a year of antagonism (9)
12 Air of tin soldiers at the double (7)
13 Wise having sent round a transcendental number (7)
14 Airy spirit of a gazette (5)
16 Can planter raise a couple of lumps with it? (5-4)
19 One who settles army officer, senior sort (9)
20 Swift power in sudden attack (5)
22 Studies scripture passages to be read (7)
25 Elephant's ear can be a big one (7)
27 Too many of Liverpool's characters loveless, wandering? (9)
28 A wine came to light (5)
29 Art which is indexed? (6-8)

DOWN

2 Nice clear sort of light over Paris, for example (3-2-4)
3 Persistent trouble of faint stars (5)
4 Runs through in respect of final carriages (9)
5 Effort of overthrowing wrong-*doing by us* (5)
6 No loudspeaker up in St Paul's (9)
7 Best part of the barrel, it exemplifies (5)
8 Stuff for new arrival however tardy outside (7)
9 Offers kingdom, we hear (6)
15 I leave gelatinous parts of spiny lobster (9)
17 Soldier swallowing a coarse *biscuit* (9)
18 Instrument replaced after a peak call? (9)
19 Abandon order to stop (4,3)
21 Napkin squared up (6)
23 Violinist who has bow at other end (5)
24 Stint to omit many inside (5)
26 General licence (5)

Solution to Puzzle No.6,502



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6093/4/5

Scimitar Global Gth Ac	25.0	26.6	+0.3	–
Do. Income	24.9	26.5	+0.4	0.19
Scimitar European Acc	19.0	20.3	+0.1	–
Do. Income	19.0	20.3	+0.2	0.11
Scimitar UK Eq Inc Acc	29.3	30.9	+0.4	–
Do. Income	28.1	29.6	+0.5	4.00
UK Cap Gth Acc	19.9	21.0	+0.7	0.75
Scimitar Pac Basin Acc	23.6	25.2	+0.3	–
Scimitar Mangd Exempt*	126.7	132.8	+0.9	–

*Unauthorised

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-558 1051

Intnl Income Units	116.4	123.8	–2.1	3.08
Intnl Accum Units	178.0	189.4	–3.2	3.08
UK General Acc	33.7	36.0	+1.2	3.11
UK General Inc	32.4	34.6	+1.2	3.11
American	23.8	25.5	+0.6	0.64
European	32.1	34.4xd	–0.7	0.94
Japan	49.7	53.2xd	+0.7	–
Technology	30.8	32.9	+0.6	1.42
Performance Trusts				
Far East Perf Tst	14.1	15.1	+0.2	0.64
High Inc Perf Tst Inc	21.2	22.7xd	+0.6	5.37
High Inc Perf Tst Acc	21.6	23.1xd	+0.6	5.37
Worldwide Tech Perf Tst	23.9	25.6	+0.5	–

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK Equity)	184.7	197.6	+3.4	3.17
Columbus (America)	108.3	115.9	+1.2	1.59
Marco Polo (Pacific)	180.7	193.3	+2.9	0.46
Da Vinci (European)	198.3	212.1	–0.8	1.92
Drake	45.9	49.1	+0.3	3.44

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	174.3	185.5	+3.5	3.39
UK Smllr. Cos. Equity	174.6	185.6	+2.2	2.55
UK Special Situations	49.6	52.8	+1.2	4.92
Income Plus	48.0	51.1	+0.2	6.90
European	146.9	156.3	+0.1	2.07
Far Eastern	43.8	46.6	+1.1	3.60
Japanese †	47.5	50.6	–0.8	0.19
North American	99.8	106.2	+2.4	2.01
International Growth	96.8	103.0	+1.6	2.34
Worldwide Venture	47.7	50.8	+0.4	2.17

Scottish Provident Inv. Mgt. Ltd
6 St Andrew Sq, Edinburgh 2 031-556 9181

Equity Growth Tst	15.36	16.44	+0.18	3.40
International Growth T	16.00	17.13	+0.26	1.53
Global Income Tst	18.02	19.29	–0.11	6.16
Market Leaders Tst	15.88	17.00	+0.21	3.37

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-686 4355

TUUT Dec 1 87	175.8	185.1	—	3.71

Triton Fd Mngrs. Ltd.
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400

Triton General	120.5	129.6	+2.0	1.09

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N 248 3399

Convertible & Gilt	56.1	59.5	+0.1	6.87
Accum Units	56.1	59.5	+0.1	6.87
Income	70.8	75.1	+0.8	5.78
Accum Units	70.8	75.1	+0.8	5.78
Smaller Co's	74.8	79.4	+1.5	1.85
Accum Units	74.8	79.4	+1.5	1.85
UK Growth	79.8	84.6	+1.0	1.61
Accum Units	79.8	84.6	+1.0	1.61

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40033

British Growth Fd	46.5	49.5	+0.3	1.52

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6064
Advisers: Henderson Crosthwaite Ltd

Friars Hse Cap Fd	150.5	160.1	—	–
Friars Hse Inc Fd	136.7	143.9	—	–

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, EC 01-534 5544

United Charities	147.2	154.5	+1.9	4.90

Vanguard Trust Managers Ltd
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

Abingdon Reln Assets	142.3	151.4	–	2.83
(Accum Units)	145.3	154.4	–	–
Far East & Gen	46.3	49.3	+0.7	0.43
(Accum Units)	46.3	49.3	+0.7	–
Master Portfolio	60.670	62.226	+0.808	3.19
(Accum Units)	62.083	63.675	+0.825	–
American & Gen	49.4	52.6	+0.8	2.24
(Accum Units)	50.1	53.3	+0.7	–
Growth	189.0	201.1	+2.8	2.95
(Accum Units)	283.5	301.6	+4.2	–
High Yield	238.1	253.3	+4.3	4.99
(Accum Units)	250.6	266.6	+4.6	–
Special Sits	46.6	49.6	+0.6	2.54
(Accum Units)	47.6	50.6	+0.5	–
Trustee	142.2	158.2	+2.3	4.62
(Accum Units)	225.1	239.5	+3.8	–
European Fund Inc	32.3	34.4	–0.2	1.81
(Accum Units)	32.5	34.6	–0.1	–

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assur.	344.6	362.8	—	—
Eb'r Ph Eq.	304.1	323.2	—	—
Pension Plan Funds				
Phoenix				
Uk. Equity Acc.	146.1	153.7	+2.5	—
International Acc.	112.1	118.0	+0.3	—
Property Acc.	120.2	126.5	—	—
Fixed Interest Acc.	148.1	155.8	-0.5	—
Money Acc.	133.1	140.1	+0.7	—
Bldg. Soc. Link Acc.	131.1	137.9	+0.1	—
Special Mngd. Acc.0	132.6	139.5	+1.0	—
Phoenix/Framlington				
Intnl. Growth Acc.	69.9	73.5	-0.6	—
Amer. & Gen. Acc.	63.7	67.0	-0.7	—
Capital Tst. Acc.	152.4	159.3	+0.8	—
Japan & Gen Acc.	148.1	155.8	+0.5	—
American Turn. Acc.	64.1	67.4	-0.7	—
Recovery Tst. Acc.	134.4	141.4	+0.8	—
Special Mngd Acc.	121.1	127.4	+0.2	—
Phoenix-GT				
International Acc.	105.1	110.6	-1.4	—
US & General Acc.	74.1	78.0	-0.7	—
Amer Spec Sits Acc.	50.2	52.8	-0.8	—
Japan & General Acc.	146.3	154.0	+0.8	—
Far East & Gen. Acc.	120.4	126.7	+0.2	—
UK Capital Acc.	140.2	147.5	+1.2	—
European Acc.	119.0	125.2	-1.2	—
Special Mngd. Acc.	107.2	112.8	—	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	245.3	258.3	—	—
Man Pens Inc & Cap Fdn.	308.5	324.8	—	—
Money Fund	110.2	116.0	—	—
Pens. Mngd Fd (Int)	74.1	78.0	—	—
Pens Mngd Fd (Acc)	82.1	86.5	—	—
Pens FT30 Fd (Inh)	112.9	118.9	—	—
Pens FT30 Fd (Acc)	125.0	131.6	—	—
Pens O'seas MgFd(Int)	47.6	50.2	—	—
Pens O'seas MgFdAcc)	52.8	55.6	—	—
Pens Fxd Int Fd (Int)	106.4	112.0	—	—
Pens Fxd Int Fd (Acc)	117.8	124.0	—	—
Pens Deposit Fd (Int)	100.3	105.6	—	—
Pens Deposit Fd (Acc)	111.1	117.0	—	—

Premium Life Assurance Co Ltd

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222
Prudend

Managed Dec 02	180.6	188.2	—	—

Prudential Holborn Life Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed Fd.	398.7	419.7	+5.0	—
Equity Fd.	796.8	838.8	+12.4	—
Intnl. Fd.	274.9	289.4	+4.1	—
Fixed Int. Fd.	352.3	370.9	+0.2	—
Prop. Fd.	296.0	311.6	—	—
Cash Fd.	231.7	243.9	—	—
Pacific Basin Fd.	153.3	161.4	+1.3	—
North American Fd.	105.2	110.8	+2.6	—
European Fd.	130.3	137.2	-0.3	—
Holborn Balanced Gwth Fd	—	—	—	—
Holborn Strategic Gwth Fd	—	—	—	—

Prudential Holborn Pensions Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed	421.7	443.9	—	—
Equity	588.8	619.8	+7.5	—
Global Equity	173.1	182.3	+4.8	—
Fixed Interest	361.0	380.0	+1.4	—
Property	296.9	312.6	+0.1	—
Cash	135.4	142.6	—	—
Index Linked Gilt	162.9	171.5	-2.4	—
Guaranteed	9.25	10.25	—	—
International Money	182.8	192.5	+0.5	—
North American Fd	50.2	52.9	—	—
Japanese Fund	98.19	103.3	—	—
European Fund	68.5	72.2	—	—
Special Situations Fd	79.2	83.4	—	—
Communications Fund	68.4	72.0	—	—
Smaller Cos Fund	81.7	86.0	—	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry. Nov 25	£110.71	113.99	—	—
Equity Fund Nov 25	£115.68	119.19	—	—
Intnl Fund Nov 25	£18.40	19.00	—	—
Ind Bond Fd Nov 25	£9.94	10.08	—	—
Fixed Int Nov 25	£65.40	66.27	—	—

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS — Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

AMERICANS – Contd

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'w	Y'ld Gr's
39	21½	Rep NY Corpn $5	22¼	–1	$1.16	–	2.9
18¾	8¾	Rockwell Intl $1	9⅞	+¼	66c	–	3.9
30½	16¼	Sara Lee $1(1/3)	18½xd	+½	$1.00	–	3.0
11½	8⅞	Saul (B. F.) $1	8½	+¼	20c	–	1.2
27½	21¼	Southwestern Bell $1	18¾	–⅛	t$2.32	–	6.8
22⅛	994p	Staley Continental	11¼	+⅛	80c	–	3.9
44½	21⅝	Sun Co. Inc. $1	26⅞	+⅛	$3.00	–	6.1
42¼	22¼	TRW Inc. $0.625	23¼xd	+1	h$1.60	–	3.8
37⅞	21½	Tenneco $5	22½xd	+½	$3.04	–	7.4
220	149½	Do. 10pcLn.Stk. 91-5	155xd		10%	–	14.7
29⅝	15⅝	Texaco $6.25	18⅝	+⅛	$3.00	–	8.9
74½	36½	Time Inc. $1	36¾xd	–1½	$1.00	–	1.5
20⅞	11	Tracor $0.33(1/3)	17⅝	+⅛	40c	–	1.2
30¾	15½	Transamerica $1	15⅝	–⅛	$1.84	–	6.4
14⅜	1¼	Transworld Corp $5	591p	+19	20c	–	1.9
27⅞	12¼	TRINOVA Corp	15⅜	+1⅛	56c	–	2.0
24½	12⅝	♥USX $1	15½	+⅛	$1.20	–	4.2
19⅝	9⅞	Union Carbide $1	10⅝	+⅛	$1.50	–	7.9
37⅞	16¾	Utd. Technologies	17½xd	+½	$1.40	–	4.5
38⅝	26¼	US West‖	27⅝		$3.28	–	6.6
30½	17⅛	Waste Management $1	18¼	+⅛	–	–	–
31¾	11¾	Whirlpool $1.0	12		–	–	–
37⅞	16½	♥Woolworth $3½	17½	+½	$1.32	–	4.1

CANADIANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'w	Y'ld Gr's
691p	227p	ABM Gold Corp ‖	295p		–	–	–
26½p	10p	♥Abbot Energy Corp	20½p	–3	–	–	–
18⅛	506p	♥Amer. Barrick Res.	11	–½	–	–	–
141p	6p	American Lightwave	6p	–½	–	–	–
122p	33p	♥Arseno	38½p	+1½	–	–	–
117p	39½p	Augmitto Expln	45p	–5	–	–	–
19⅝	10⅝	Bk. Montreal ‖	11⅛xd	+½	$2.00	–	7.6
10½	488p	Bk. Nova Scot.‖	542p	+21	72c	–	5.8
20⅝	15	BCE ‖	15½	+½	$2.40	–	6.8
10⅝	511p	♥Bow Valley‖	542p	+9	t40c	–	3.2
20	10¼	♥Brascan‖	10½	+¼	[illegible]	–	3.7
609p	197p	♥Breakwater Res.	235p		10c	–	1.5
12¾	411p	Campeau Corp ‖	680p	+5	–	–	–
11⅝	734p	Can.Imp.Bk. $2	850pxd	+27	$1.08	–	5.6
14	792p	Can. Pacific ‖	818p	+36	60c	–	3.2
42½	37½	Do. 4pc Deb £100	41½xd		4%	–	9.6
827p	332p	Central Capital "A" ‖	351p	+3	–	–	–
152p	28½p	Dashes Res.	35p	+4	–	–	–
780p	432p	Derlan Inds.	449p		11.75c	–	1.1
18	756p	♥Echo Bay Mines	11½	–1	20c	–	0.8
68p	26½p	Energex Minerals	31p		–	–	–
230p	66p	Euro–Asia Capital Ltd.	85p	–1½	–	–	–
821p	283p	♥Galactic Resources	334p	–5	–	–	–
69p	4¼p	Global Data Systems	35½p	–2½	–	–	–
873p	260p	Granges Expln‖	382p	–17	–	–	–
19½p	7½p	♥Gt Pacific Res.	7½p		–	–	–
14⅛	560p	♥Gulf Canada‖	585p	+25	[illegible]	–	3.9
14⅛	782p	♥Hawker Sid Can‖	851p		[illegible]	–	4.9
740p	338p	Henlys Group	359p		–	–	–
14⅛	776p	♥Hudson's Bay ‖	797p	+21	60c	–	3.3
38⅞	21⅛	♥Imperial Oil‖	22⅛	+⅛	s$1.60	–	3.1
14⅛	764p	Inco‖	920p	+47	US$0.20	–	1.2
290	14½	♥Intl. Corona Res.	24½		–	–	–
785p	440p	♥Inland Nat. Gas $1	448p	–14	60c	–	6.0
10⅛	385p	♥Lacana Mining Corp ‖	585p	–22	Q15c	–	1.1
756p	129p	Madeleine Mines	270p	+15	–	–	–
1456p	102p	♥Muscocho Expln.	153p	–12	–	–	–
11⅛	500p	♥Ntnl Business Syst ‖	500p	–5	–	–	–
623p	183p	♥Nevada Goldfields	217p	+6	–	–	–
251	696p	♥Rio Algom	748p	–11	$1.50	–	7.7
19⅛	11¼	Royal Bk. Can. ‖	12	+⅛	$2.08	–	7.6
403p	135p	♥Royex Gold Mining ‖	295p	–6	–	–	–
52¼	27¾	Seagram‖	28¼	+¼	US$1.00	–	1.9
731p	235p	♥Sonora Gold Corp‖	326p	–16	–	–	–
208p	21¼p	Spiral Ene.	25p	+1½	–	–	–
15⅝	10	Toronto–Dom. Bk.‖	11⅛xd	+⅛	84c	–	3.2
228p	19p	♥Trans Atlantic Res ‖	31p		–	–	–
10⅛	591p	♥Trans Can Pipe.	616p	+21	$1.12	–	8.0
200p	115p	Varity Corp‖	127p	+5	–	–	–

BANKS, HP & LEASING

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
299	128	ANZ $A1	137	–2	Q21c	♦	6.3	♦
*273	175	Allied Irish	190		†061.6%	2.8	7.4	6.6
*£16½	£10½	Algemene Fl.10	£11⅛	–⅛	Q2.7%	2.1	7.3	6.9
*128	53	Anglo Irish	58xd		Q9.1%	♦	6.7	♦
108	72	Ansbacher (H.) 1p	73		N2.0	–	3.8	–
[illegible]	[illegible]	Banco de Bilbao S.A.	[illegible]		[illegible]	1.0	2.9	11.3
[illegible]	[illegible]	Banco de Santander	£27	+¼	[illegible]	2.7	2.0	–
*245	175	Bank Ireland Ir£1	190		[illegible]	2.9	7.4	6.6

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES — Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES — Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

[illegible]

TRUSTS, FINANCE, LAND — Contd

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES — Contd

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	48
Amstrad	19
BAT	62
BOC Grp.	58
BSR	17
BTR	36
Babcock	32
Barclays	52
Beecham	52
Blue Circle	50
Boots	30
Bowaters	50
Brit. Aerospace	30
Brit. Telecom	28
Burton Ord.	32
Cadburys	25
Charter Cons.	45
Comm Union	34
Courtaulds	45
FNFC	32
Gen Accident	95
GEC	22
Glaxo	200
Grand Met.	50
GUS 'A'	125
Guardian	95
GKN	38
Hanson Tst.	17
Hawker Sidd.	58
ICI	125
Jaguar	52
Ladbroke	45
Legal & Gen.	32
Lex Service	45
Lloyds Bank	35
Lucas Inds.	75
Marks & Spencer	22
Midland Bk.	45
Morgan Grenfell	55
NEI	13
Nat West Bk.	65
P & O Dfd.	65
Plessey	20
Polly Peck	34
Racal Elect.	32
RHM	35
Rank Org Ord.	70
Reed Intnl.	50
STC	30
Sears	16
TI	37
TSB	12
Tesco	18
Thorn EMI	65
Trust Houses	25
T&N	26
Unilever	62
Vickers	20
Wellcome	42
Property	
Brit Land	30
Land Securities	50
MEPC	48
Peachey	40
Oils	
Brit Petroleum	32
Britoil	30
Burmah Oil	52
Charterhall	10
Premier	11
Shell	125
Tricentrol	11
Ultramar	26
Mines	
Cons Gold	125
Lonrho	28
RTZ	100

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Nov 23	Dec 3	Dec 4	Dec 14
Dec 7	Dec 17	Dec 18	Jan 4
Dec 21	Jan 7	Jan 8	Jan 18

*New time dealings may take place from 9.00 am two business days earlier.

BP purchase of Britoil stake features firm equities but Gilts remain nervous

THE UK stock markets were dominated yesterday by the dawn raid on the shares of **Britoil**, the British oil and exploration group, by **British Petroleum**, which at the end of the session disclosed plans to increase its Britoil stake to 29.9 per cent of the equity.

The BP move, described in the City, as a highly significant corporate venture in the light of current market conditions, helped inspire a more positive mood in the marketplace.

Equities opened sharply higher on the back of Wall Street's overnight strength, and, although gains were trimmed later by tax-loss selling. The final reading on the FT-SE 100 showed a net gain of 26 points at 1624.4. However, turnover remained modest, with Britoil trading representing more than 27 per cent of total equity trading.

The Government bond market ended with minor losses after an erratic session which was again unsettled by suspicions that a major US trading house may be about to pull out of marketmaking in UK Gilts.

At best, the FT-SE 100 showed a gain of nearly 42 points as institutional investors again nibbled at some of the blue chips which have fallen so heavily since Black Monday. While Britoil itself is bid-proof because of the UK Government's "golden share", the move by BP gave a fresh boost to the speculative market, which has been featured by the takeover moves against MK Electrics and Birmid Qualcast.

The raid on Britoil was over quickly, and equities boiled over in late afternoon when there was a rash of tax loss selling of major stocks, including **Ferranti, Guinness, Rolls-Royce** and **British Airways.** These tax loss sales, transacted below market levels, are expected to be matched by repurchases in today's market.

Outside these special situations, trading remained very selective, with many second line issues totally neglected. Market analysts regard FT-SE 1500 - 1730 as a trading range, and will buy stock at present levels - but with every intention of selling when the index approaches the top end of the range. "The Footsie stocks are OK, but the rest are nowhere", commented one marketmaker.

The "spread" - the gap between buying and selling prices quoted by the marketmakers, remained uncomfortably wide, despite rumours that some marketmakers would like to narrow it because business has fallen away so dramatically.

The reduced upward pressure on the pound helped the major exporting stocks again. **Glaxo** and **ICI** continued to move higher and there was demand for some of the financial issues.

Government bonds had an active day, with retail investors appearing on both the buying and selling tacks. The session started with bond prices dipping by around ¾ of a point as last Friday's forced seller appeared to return to the marketplace.

Prices then recovered almost all their losses as a few buyers appeared, only to plunge back to the day's lows as selling pressures alarmed the marketmakers again. However, the second selling bout abated and prices staged a further rally to end the day with net falls of no more than ¼ point at the longer end - some issues were unchanged on the day.

Index-linked Gilts, moving with the conventional Gilt sector, closed with falls of ¼. The hints of forced selling are bad news for the IL sector, where prices ran up sharply during November.

The renewal of selling pressures was a subject of concern in the Government bond sector. While substantial investment money was switched from equities into Gilts in the wake of the Black Monday setback, bond prices have often moved erratically, and it is unlikely that many of the 24 marketmakers in Gilts have been trading profitably this year.

Britoil became the latest victim of the recent series of dawn raids launched in London with broker BZW moving in to pick up a near-15 per cent stake - some 75m shares - at 300p a share, for an unnamed buyer, later revealed as **BP.**

Britoil shares soared to 291p on a turnover which quickly spiralled upwards to almost 200m shares before dropping back after the initial buying order was completed to settle around the 266p level.

However, at 5.30 pm, BP announced it was the buyer of the 75m shares and also said it was seeking to buy a further 76m Britoil at the same price of 300p in order to increase its holding to 29.9 per cent. There then followed a hectic activity which saw Britoil surge up to 298p bid with leading marketmaker Kleinwort Grieveson before a subsequent closing price of 283p, a net gain of 98.

BP remained the one of the market's biggest turnover stocks although the actual level was much reduced from the substantial amounts which changed hands at the height of the buying spree by the KIO. Turnover in the "new" partly-paid shares reached 22m with the price finally unchanged on the day at 73p, while the old settled unaltered on the session at 245p, after 249p, on a turnover of nearly 5m shares.

The Britoil raid, the continuing BP saga and the proximity of the OPEC meeting in Vienna also ensured a big business in other leading oil stocks. **Shell** added 13 to 973p, still stimulated by the advice from securities house Citicorp Scrimgeour Vickers for clients to switch out of Exxon into Royal Dutch/Shell. **Enterprise,** in which LASMO is a major shareholder, raced up to close 19 higher at 230p. **LASMO** jumped 21 to 237p. **Ultramar,** badly hit by the Black Monday crash, were bid up to 168p before closing a net 17 better at 163p. **Calor Group,** rumoured recently to be a takeover target for Hanson, hardened to 430p.

Commercial Union were the outstanding performer in the composite insurance sector with the shares adding 10 to 318p on a turnover of over 4m.

Rumours in the market yesterday suggested that another stake-building operation could well be in progress and the name of Robert Holmes a Court and Dewey Warren were mentioned. Commercial Union announced recently that a holding of around 5 per cent had been built up, possibly by John Spalvins' Adsteam group.

Redland shares were active as senior executives of the Surrey-based construction and building supplies group flew to Sydney to negotiate the sale of Redland's 51 per cent stake in Monier, Australian building supplies group, to Equiticorp Group. Equiticorp holds the outstanding 48 per cent of Monier but discussions in London over the Redland stake apparently reached an impasse.

A statement on the sale of the Monier stake is believed to be imminent. Redland shares spurted 18 to 383p in heavy turnover of more than 2.3m shares, as City analysts responded favourably to reports that Redland will retain Monier's roof tiles business.- widely regarded as the jewel in Monier's crown.

Birmid Qualcast, up 4 more at 317p, after 319p, continued to trade well above Blue Circle's hostile cash bid of 300p as the market took the view that the offer will have to be increased in order to succeed.

Further buying of Birmid was also prompted by suggestions that a third party may appear on the scene. GKN and Glynwed were among some of the names put forward as possible counter-bidders. Some 369.000 shares changed hands yesterday.

MK Electric shares drifted back 6 to 661p following the initial response of RTZ to the counter bid worth 660p by Legrand for MK. RTZ launched a "dawn-raid" and subsequently bid 550p a share for MK.

RTZ is "reserving its position" until it has seen MK's defence documents, a view interpreted as setting the scene for RTZ to quit the field with a substantial profit on its 21.7 per cent stake acquired during the dawn raid.

Cable and Wireless, the telecommunications group, moved ahead sharply to 321p before closing a net 5 up at 317p after a turnover of more than 3.6m shares, despite a company announcement that the board and the Hong Kong Government have decided to delay the public issue of 9 per cent of the shares in the newly-merged Hong Kong Telecommunications group.

C & W had intended to offer the shares for sale early next year, and to retain 80 per cent of the shares in the company - formed by the merger of C & W Hong Kong and Hong Kong Telephone - with the Hong Kong Government holding 11 per cent. The share sale will still take place "in a few months", said Mr. F.L. Walker, a C & W director.

In financials **Barclays Bank** moved up 11 to 449p - still boosted by the recent Citicorp Scrimgeour Vickers advice to switch into the shares from NatWest. **Royal Bank of Scotland** also made good progress and put on 10 to 323p in the wake of the "strong buy" recommendation issued by Morgan Grenfell.

Insurance broker **Sedgwick** were 2 harder at 190p, after 192p, with a single deal of 2.6m shares transacted at 180p said to have represented a "bed and breakfast" operation.

Reports that certain marketmakers had agreed to narrow spreads - the difference between buying and selling prices - failed to promote an expansion in volumes within the Building sector. Although higher on balance,prices still struggled to make any real headway. **Redland** were the firm feature while **Tarmac** managed a gain of 4 at 199p following a trade of 5.1m shares including a reported bed and breakfast deal of some 3.9m shares. **BPB Industries** moved up 9 to 239p, but **Blue Circle,** held in check by its proposed bid for Birmid Qualcast, settled a shade cheaper at 302p. **Steetly** firmed 6 to 261p and **Marley** 4 to 124p. **McCarthy and Stone** gained 17 to 411p in reply to the good annual results, while **Berkeley Group,** still reflecting the interim figures, rose 10 more to 229p.

ICI continued to rally and closed 10 higher at 998p. Elsewhere in the Chemical sector, **Morceau** improved 5 to 50p; the annual results are due tomorrow.

Next and **Ratners** were firm features in the stores market. The former, boosted by favourable Press comment and news that it has deferred the sale of the Allens subsidiary, added 8 more at 260p, while Ratners continued to reflect recent buying by Scottish institutions after the highly successful presentation. and gained 9 at 247p.

Leading Engineers followed the upward trend, with **Hawker** improving 12 to 410p and **GKN** rising 7 further to 266p. Elsewhere, **McKechine,** relecting buying on yield considerations, put on 11 to 265p. **Downibrae,** an old speculative favourite, advanced 13 to 55p, while **Tex Holdings,** interim figures scheduled for today, firmed 5 more to 115p. Satisfactory half-year results left **Braithwaite** a few pence higher at 218p.

Major Food retailing group **Dee Corporation** gave up 2 to 157p, after 155p, despite interim profits deemed satisfactory by marketmakers; the upsetting factor appeared to be the rather cautious analysts' meeting that followed. Some 14m shares were traded, including a reported bed and breakfast deal of some 5m shares. **J. Sainsbury** revived with a gain of 8 at 224p and **Argyll** firmed 6 to 182p. **Tesco** improved a penny to 156p, after 159p, while old takeover favourite **Bejam** put on 11 to 168p. Food Manufacturers were generally firm, **Tate and Lyle** adding 6 more to 665p and **United Biscuits** rising 10 to 248p. Recently-overlooked **Booker** picked up 13 at 334p, but **Northern Foods** encountered nervous offerings in front of today's half-year figures and closed 13 off at 251p.

Grand Metropolitan attracted early support following Press comment and moved up 13 to 404p; the annual results are due on December 17. **Trusthouse Forte** added 6 to 199p, as did **Ladbroke,** to 307p.

International stocks traded firmly in the wake of the overnight rise on Wall Street. However, trading activity remained extremely thin. Final quotations were below the best, but still extended to around 10 and occasionally more. **BOC** improved 13 to 378p, while **Boots** were also noteworthy for a rise of 8 at 220p. **Glaxo** firmed afresh to £10⅝. **Reed International,** still reflecting the $400m US commercial paper programme, improved 8 further to 385p.

Elsewhere, **English China Clays,** preliminary results scheduled for next Wednesday, featured a rise of 12 at 370p. **Granada,** reflecting favourable comment on the preliminary figures, advanced afresh to close a similar amount dearer at 283p. **Smith and Nephew,** awaiting today's results, firmed 7 to 144p in a volume of some 1.5m shares. **Reed Executive,** still reflecting the interim figures, improved 10 more to 155p, while trading news also helped **Burns Anderson,** 6 to the good at 97p. **British Airways** continued to edge higher pending further developments in the British Caledonian bid situation and closed 3 higher at 138p for a two-day rise of 8; around 2.8m shares changed hands.

Carlton Communications, still reflecting the good preliminary figures, advanced afresh to close 18 higher at 603p, while bumper annual results prompted a rise of 11 to 238p in **VPI. Wace Group** edged up a few pence to 200p in response to news of the proposed acquisition of Data Colour for an initial consideration of £2.25m.

Leading Properties moved higher in thin trading before easing back late. **Land Securities** finished 8 higher at 428p, and **MEPC** 10 up at 410p. **Peachey** improved to 340p prior to closing 5 dearer on balance at 338p. **Mountliegh** touched 145p before closing 8 higher on balance at 143p. **Helical Bar** picked up 9 at 154p, while **Trafford Park Estates** gained 8 to 133p in a restricted market. **Phoenix** found support at 114p, up 16, but **Derwent Valley** ran back 17 to 508p.

Traded option contracts totalled 33,896 comprising 13,331 calls and 20,565 puts. The excitement surrounding **Britoil** generated 3,478 calls and 1,062 puts in the stock. **Rolls-Royce** attracted only 698 calls, but puts stood at 1,357. **British Gas** puts were active at 6,711. The **FTSE** contract contributed 598 calls and 805 puts.

Traditional Options

- First dealings Nov 30
- Last dealings Dec 11
- Last declarations Mar 3
- For Settlement Mar 14

For rate indications see end of London Share Service

Stocks dealt in for the call included **Epicure, Aurora, MY Holdings, Western Motor, BOM Holdings, Top Value, Walker Greenbank, Jackson Exploration, Sound Diffusion** and **Rolls-Royce.** A put option was taken out in **Control Securities,** but no double options were reported.

FINANCIAL TIMES STOCK INDICES

	Dec. 8	Dec. 7	Dec. 4	Nov. 3	Dec. 2	Year Ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	89.08	89.04	89.58	89.97	89.85	81.53	93.32 (8/5)	83.73 (19/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.59	96.75	96.60	96.85	96.39	88.55	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1294.9	1279.3	1262.7	1263.6	1266.9	1284.4	1926.2 (16/7)	1232.0 (9/11)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	317.3	313.2	329.4	337.0	341.3	320.0	497.5 (4/8)	261.6 (6/11)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.81	4.87	4.93	4.91	4.89	4.46				
Earnings Yld. %(full)	11.89	12.05	12.21	12.15	12.10	10.50				
P/E Ratio (net)(*)	10.28	10.14	10.01	10.06	10.10	11.70				
SEAQ Bargains (5pm)	23,382	20,542	26,389	23,323	20,499	35,432				
Equity Turnover (£m)	-	646.07	1036.58	875.86	1009.27	1451.88				
Equity Bargains	-	21,438	28,957	22,842	23,976	56,819				
Shares Traded (ml)	-	335.7	568.1	467.7	426.0	757.1				

S.E ACTIVITY

Indices	Dec.7	Dec.4
Gilt Edged Bargains	144.4	147.8
Equity Bargains	138.9	187.6
Equity Value	1305.9	2095.2
5-Day average		
Gilt Edged Bargains	135.3	133.8
Equity Bargains	162.6	168.5
Equity Value	1753.7	1820.5

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1297.2	1301.6	1304.8	1302.1	1301.0	1301.3	1302.2	1297.0

Day's High 1307.3 Day's low 1294.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.14.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NOVEMBER TURNOVER LOWER

Stock Exchange turnover figures for last month disclose that trading between marketmaking firms, which was blamed for exacerbating share falls during the Black Monday crash, has now fallen away dramatically.

Total equity business fell by 42 per cent to £24.67bn as both private and institutional investors continued to back away from the London securities markets in the face of a falling dollar and uncertainty over the plans to cut the US budget deficit.

However, turnover in UK Government bonds increased by 24 per cent to £67.6bn reflecting a "flight to quality", with investors switching out of equities and into Gilts.

Equity deals between marketmakers were worth only £3.40bn in November, a drop of 71 per cent on the previous month. However, business transacted directly between marketmakers and their big retail customers (mostly institutional), which is dealt free of commission, was also reduced last month. Total business under this heading dipped by 39 per cent to £5.86bn.

Customer business - investment in stocks and shares by private and institutional investors transacted via brokerage houses - continued to fall away. November's customer business total of £17.97bn was down by 39 per cent on the October figure, mirroring the downturn in own-account trading by the marketmaking firms.

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (1).

BRITISH FUNDS (1) Treasury 2pc 1990

NEW LOWS (64).

AMERICANS (13) CANADIANS (2) BANKS (2) STORES (6) ELECTRICALS (4) ENGINEERING (2) FOODS (3) INDUSTRIALS (8) INSURANCE (4) LEISURE (1) MOTORS (1) PAPERS (3) PROPERTY (3) TRUSTS (7) OILS (2) OVERSEAS TRADERS (1) MINES (7) THIRD MARKET (1).

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Tuesday December 8 1987							Mon Dec 7	Fri Dec 4	Thu Dec 3	Year ago (approx)
	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date		Index No.	Index No.	Index No.	Index No.
1 CAPITAL GOODS (214)	651.61	+1.7	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]

FT-SE 100 SHARE INDEX ♦ 1624.4

FIXED INTEREST

PRICE INDICES	Tue Dec 8	Day's change %	Mon Dec 7	xd adj. today	xd adj. 1987 to date
British Government					
1 5 years	124.18	+0.02	124.07	-	10.63
2 5-15 years	140.62	-0.04	141.07	0.39	12.54
3 Over 15 years	147.58	-0.11	147.71	0.05	12.46
4 Irredeemables	164.26	-0.24	164.64	-	13.59
5 All stocks	137.27	-0.03	137.52	0.20	11.97
Index-Linked					
6 5 years	125.25	-	125.25	-	2.18
7 Over 5 years	119.77	+0.01	119.77	-	2.89
8 All stocks	120.05	+0.01	120.04	-	2.82
9 Debentures & Loans	119.04	+0.06	118.97	-	10.62
10 Preference	85.85	+0.30	85.59	-	6.15

AVERAGE GROSS REDEMPTION YIELDS

		Tue Dec 8	Mon Dec 7	Year ago (approx.)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

♦Opening index 1622.3; 10 am 1632.7; 11 am 1634.9; Noon 1633.4; 1 pm 1632.3; 2 pm 1632.0; 3 pm 1631.9; 3.30 pm 1622.7; 4 pm 1626.0

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		CALLS Jan.	CALLS Apr.	CALLS Jul.	PUTS Jan.	PUTS Apr.	PUTS Jul.
Allied Lyons (*331)	300	40	55	60	7	16	25
	330	22	37	45	20	28	40
	360	9	25	32	40	47	55
Brit. Airways (*138)	120	26	32	38	4	8	11
	130	18	25	32	7	11	17
	140	10	18	24	11	16	21
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Feb	CALLS May	CALLS Aug	PUTS Feb	PUTS May	PUTS Aug
LASMO (*235)	200	53	65	73	15	20	25
	220	38	50	60	22	30	33
	240	28	40	50	30	40	45
P. & O. (*480)	420	75	90	-	10	15	-
	460	50	68	83	22	30	45
	500	30	50	65	40	52	67
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

December 8 Total Contracts 33,896 Calls 13,331 Puts 20,565 FT-SE Index Calls 598 Puts 805 *Underlying security price.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA-MFI	2,100	Enterprise Oil	4,550	Prudential	273
Allied-Lyons	1,700	Fisons	1,300	Racal	5,100
Amstrad	2,900	Gen. Accident	202	Rank Org.	701
Argyll Group	2,300	Gen. Elect	2,900	RMC	150
Assoc. Brit. Foods	231	Glaxo	2,100	RHM	482
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	[illegible]	[illegible]	[illegible]
Corporations, Dominion and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	[illegible]	[illegible]	[illegible]
Financial and Properties	[illegible]	[illegible]	[illegible]
Oils	[illegible]	[illegible]	[illegible]
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	1,102	530	1,290

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

CANADA

MONTREAL
Closing prices December 8

186801	Bank Mont	$27¼	26⅞	27⅛	
2600	BombrdrA	$07¾	07½	07½	−¼
68690	BombrdrB	$07⅞	07¾	07¾	
33565	Cascades	$05¾	05¼	05½	−⅛
28500	ConBath	$16	15½	16	+½
5774	DomTxtA	$16	15⅞	15⅞	−¼
4400	MntTrst	$12⅝	12½	12½	
86491	NatBk Cda	$11	10½	11	+⅝
10580	Noverco	$11	10¾	11	+¼
33550	Power Corp	$13⅜	13⅛	13¼	
37514	Provigo	$07¼	07⅛	07¼	−⅜
12300	Repap Entr	$11	10¾	11	+⅝
1800	RollandA	$10½	10¼	10⅜	+⅜
25149	Royal Bank	$28½	28	28¼	+⅛
4550	SteinbrgA	$27⅞	26¾	27⅞	+¼
28739	Videotron	$08⅝	08¼	08⅝	+¼

Total Sales 7,889,676 shares

F—No voting rights or restricted voting rights.

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 49

LONDON
Chief price changes (in pence unless otherwise indicated)

RISES

Abaco Invs.	67	+	14
BOC Group	378	+	13
Barclays	449	+	11
Bejam	168	+	11
Booker	334	+	13
Britoil	283	+	38
Carlton Comms.	603	+	18
Commercial Union	318	+	10
Empire Stores	229	+	9
English China Clays	370	+	12
Enterprise Oil	230	+	19
Fisons	248	+	13
Granada	283	+	11
Grand Met.	404	+	13
LASMO	237	+	21
McCarthy & Stone	411	+	17
Ratners	247	+	9
Redland	383	+	18
Royal Bk. of Scot.	323	+	10
Sainsbury (J.)	224	+	8
Ultramar	163	+	17
VPI	238	+	11

FALLS

Northern Foods	251	−	13

TOKYO - Most Active Stocks
Tuesday, December 8, 1987

	Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	47.35m	356	+8
Nippon Steel	26.86m	425	+4
Nisshin Steel	18.87m	630	+23
Hitachi	10.78m	1220	+60
Toshiba	7.87m	661	+19
Toray	7.71m	778	+32
Tokico	6.98m	680	+65
Fujitsu	6.51m	1,210	+50
Nippon Kokan	5.95m	329	+9
Topy	5.71m	605	+22

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner

Indices

NEW YORK — DOW JONES

	Dec. 7	Dec. 4	Dec. 3	Dec. 2	1987 High	1987 Low	Since compilation High	Since compilation Low
◆Industrials	1812.17	1766.74	1776.53	1848.97	2722.42 (25/8)	1738.42 (19/10)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	86.74	86.85	86.60	86.64	95.51 (9/2)	81.26 (19/10)	—	—
Transport	683.14	661.00	673.57	702.43	1101.16 (14/8)	661.00 (4/12)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	175.73	173.13	173.72	177.51	227.83 (22/1)	160.98 (19/10)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 1818.14 (1794.60) Low 1765.75 (1733.92)

STANDARD AND POOR'S	Dec. 7	Dec. 4	Dec. 3	Dec. 2	1987 High	1987 Low	Since compilation High	Since compilation Low
Composite ‡	228.76	223.92	225.21	233.45	336.77 (25/8)	223.92 (4/12)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	261.95	255.43	256.89	266.76	393.17 (25/8)	255.43 (4/12)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	20.39	20.46	20.47	21.21	32.43 (25/8)	20.39 (7/12)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	128.23	125.91	127.01	131.21	187.99 (25/8)	125.91 (4/12)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. value	233.03	231.90	236.55	240.82	365.01 (13/8)	231.90 (4/12)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	294.77	292.92	298.75	305.22	455.28 (26/8)	291.90 (28/10)	455.28 (26/8/87)	54.87 (31/10/72)

	Dec. 4	Nov. 27	Nov. 20	year ago (approx.)
Dow Industrial Div. Yield	3.88	3.59	3.58	3.58
	Dec. 2	Nov. 25	Nov. 18	year ago (approx.)
S & P Industrial div. yield	3.86	3.69	3.14	2.96
S & P P/E ratio	14.73	15.34	15.52	17.73

TRADING ACTIVITY † Volume (Millions)

	Dec. 7	Dec. 4	Dec. 3
New York	147.545	185.861	204.160
Amex	11.950	11.270	11.110
OTC	118.329	136.529	129.425

NEW YORK	Dec. 7	Dec. 4	Dec. 3
Issues Traded	1,992	1,993	1,984
Rises	902	352	258
Falls	703	1,298	1374
Unchanged	387	343	352
New Highs	2	0	2
New Lows	209	280	172

CANADA

TORONTO	Dec. 7	Dec. 4	Dec. 3	Dec. 2	1987 High	1987 Low
Metals & Minerals	2371.7	2279.2	2325.6	2411.5	3507.5 (5/10)	1988.2 (2/1)
Composite	2982.5	2909.2	2948.4	3021.6	4112.9 (13/8)	2843.9 (10/11)
MONTREAL Portfolio	1495.84	1443.81	1458.33	1497.95	2224.77 (16/7)	1435.94 (26/10)

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
United Tel	2,736,700	24⅛	+ ⅛
E.F. Hutton	2,339,800	27⅛	+ ¼
Storage Tec	1,703,800	11¼	—
Gen Electric	1,582,100	41½	+ 1½
IBM	1,475,100	109½	+ 2¼
Allegheny Power	1,461,500	36⅛	+ ⅛
AT&T	1,370,100	27	+ 1
Citicorp	1,335,200	16⅛	− ⅜
Wal-Mart (xd)	1,245,100	22⅞	+ 1¼
Texas Utilities	1,193,800	26⅛	—

Base values of all indices are 100 except NYSE All Common — 50; Standard and Poor's — 10; and Toronto Composite and Metals — 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed.(u) Unavailable.

	Dec. 8	Dec. 7	Dec. 4	Dec. 3	1987 High	1987 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1219.4	1231.5	1247.2	1286.3	2305.9 (21/9)	1151.0 (11/11)
All Mining (1/1/80)	695.7	711.3	729.8	758.9	1462.4 (14/10)	586.9 (11/11)
AUSTRIA						
Credit Aktien (30/12/84)	(u)	177.44	177.13	180.70	232.19 (22/9)	172.01 (11/11)
BELGIUM						
Brussels SE (1/1/80)	3558.8	3551.1	3586.1	3663.0	5412.2 (13/8)	3527.5 (30/10)
DENMARK						
Copenhagen SE (3/1/83)	(u)	181.37	182.57	183.62	219.76 (27/8)	179.60 (20/11)
FINLAND						
Unitas General (1975)	572.7	571.2	573.1	571.8	679.1 (15/10)	425.2 (5/1)
FRANCE						
CAC General (31/12/82)	275.7	271.8	278.3	286.0	460.4 (26/3)	271.8 (7/12)
Ind. Tendance (31/12/86)	70.8	70.0	71.7	74.8	117.2 (26/3)	69.7 (10/11)
GERMANY						
FAZ Aktien (31/12/58)	422.92	420.08	422.37	433.34	676.84 (6/1)	408.13 (10/11)
Commerzbank (1/12/53)	1296.9	1292.5	1296.7	1335.20	2061.1 (17/8)	1220.9 (10/11)
HONG KONG						
Hang Seng Bank (31/7/64)	1886.12	1894.94	1994.22	2057.43	3949.73 (1/10)	1894.94 (7/12)
ITALY						
Banca Com. Ital. (1972)	(c)	504.56	513.53	518.90	767.34 (30/4)	476.27 (10/11)
JAPAN **						
Nikkei (16/5/49)	22948.34	22586.52	22602.75	22808.16	26646.43 (14/10)	18544.00 (13/1)
Tokyo SE New (4/1/68)	1857.54	1833.13	1833.86	1842.02	2258.56 (11/6)	1557.46 (13/1)
NETHERLANDS						
ANP-CBS General (1970)	199.0	199.0	198.3	203.0	334.1 (14/8)	192.2 (10/11)
ANP-CBS Industrial (1970)	153.3	153.6	153.7	155.9	280.8 (11/8)	147.5 (10/11)
NORWAY						
Oslo SE (4/1/83)	317.97	318.89	324.97	330.80	592.04 (21/9)	307.48 (10/11)
SINGAPORE						
Straits Times Ind. (30/12/66)	704.4	700.4	734.9	746.7	1505.4 (26/8)	700.4 (7/12)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	1678.0	1750.0	1828.0	2499.0 (3/8)	1448.0 (5/11)
JSE Industrial (28/9/78)	(u)	1455.0	1474.0	1477.0	2266.0 (16/10)	1402.0 (23/11)
SPAIN						
Madrid SE (30/12/85)	(c)	201.96	201.08	203.46	325.44 (6/10)	201.08 (4/12)
SWEDEN						
Jacobson & P. (31/12/56)	2166.08	2141.81	2103.54	2128.40	3550.40 (9/10)	2068.60 (18/11)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	462.5	458.2	460.0	473.0	729.7 (5/10)	450.9 (10/11)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	383.6	381.9	385.3	495.9 (27/8)	361.3 (2/1)

** Saturday December 5 Japan Nikkei 22673.41. TSE 1837.51

Base values of all indices are 100 except Brussels SE — 1,000 JSE Gold — 255.7 JSE Industrials — 264.3 and Australia. All Ordinary and Metals — 500; (c) Closed.(u) Unavailable.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	2.5	13	313	15	14⅛	14½	−¼
32½	19	AFG s	.16	.7	8	253	22⅜	22¼	22¼	+⅛
27	10½	AGS s			11	980	13¼	12½	12⅞	+⅝
10⅛	6¼	AMCA				2	6½	6½	6½	+⅛
9⅝	3¼	AM Intl			31	649	4⅜	4¼	4⅜	+⅛
65½	26¾	AMR			9	4565	31½	29⅞	31½	+1½
27½	24⅞	ANR pf 2.67		10.		1	25½	25½	25½	+⅜
25	19	ANR pf 2.12		10.		3	20⅝	20⅝	20⅝	+⅛
12¼	6⅜	ARX s			7	134	7⅛	6⅞	7⅛	
73½	35⅛	ASA	2a	3.9		560	51¼	48⅝	51⅛	+2½
22⅝	9½	AVX			16	167	11⅞	11⅜	11¾	+⅜
67	40	AbtLab	1	2.2	17	5508	46	43	45⅝	+1⅝
28	15⅜	Abitibi g				124	18⅝	18⅛	18⅝	+⅜
16¾	8½	AcmeC	.40	4.1	14	642	10⅛	9⅝	9¾	−⅛
10½	6⅛	AcmeE	.32b	4.5	25	20	7⅛	7⅛	7⅛	+⅛
20	14⅛	AdaEx	3.34e	22.		220	15¼	14¾	15¼	+¼
19½	6⅞	AdmMl s	.24	2.7	7	181	8¾	8⅛	8¾	+¾
35	16⅝	AdvSys			12	562	26½	25⅜	26	+1
24⅞	7½	AMD				3715	8⅝	8¼	8⅝	+⅛
56¾	29¼	AMD pf	3	9.7		330	31	30	31	+1
11⅞	4⅝	Adobe				148	5⅛	5	5	−⅛
20½	15½	Adob pf	1.84	11.		2	16½	16½	16½	−¼
15	6⅛	Advest	.12a	1.6	6	196	7½	7⅜	7½	+⅛
68¼	43⅞	AetnLf	2.76	6.2	6	2261	45	44¼	44⅝	−¼
83½	33¼	AflPb s	.40	.9	7	275	44¾	42½	44¾	+1½
26⅞	13⅜	Ahmans	.88	6.3	8	1841	14¼	13¾	14	−⅛
5⅜	1¾	Aileen				13	2⅛	2⅛	2⅛	
53⅞	29	AirPrd	1	3.0	12	1657	33½	32½	33½	+⅞
36	11⅛	AirbFrt	.60	5.0	7	353	12¼	12	12	−⅛
16½	6¾	Airgas n			13	553	8⅞	8	8⅞	+1⅛
19½	13½	AirLease	2.16e	14.	9	44	15⅞	15½	15¾	+⅛
15-32	5-16	AlMoan			19	7	⅜	11-32	⅜	+1-32
27¾	25⅜	AlaP pf	1.96e	7.6		183	25¾	25¾	25¾	−⅝
10¾	7⅝	AlaP dpf	.87	9.4		48	9¼	9⅛	9¼	
110½	102⅜	AlaP pf	11	10.		z20	105	105	105	+1
108	86½	AlaP pf	9.44	10.		z100	93¼	93¼	93¼	−¼

Continued on Page 49

NYSE COMPOSITE CLOSING PRICES

Continued from Page 48

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chg
58¼	52½	Xerox pf5.45		10.		127	53	52¾	52⅞	−⅛
31⅞	19¾	XTRA	.64	3.2	13	94	20	d19½	19⅞	−⅝
28¼	19½	XTRA pf1.94		9.6		91	20½	20⅛	20⅛	−⅜
33⅞	16¾	Yorkln			9	478	21	20⅝	21	+⅜
7¼	2⅝	Zapata				506	2⅞	2⅝	2⅞	+⅛
37	13½	Zayre	.40	2.8	5	3731	14½	13⅝	14½	+½
16⅞	8¼	Zemex	.40	4.2	9	4	9⅞	9⅝	9⅝	−¼
33⅝	10	ZenithE				1845	14⅛	13⅝	14	
13½	2⅝	ZenLab				1300	3	2¾	3	+⅛
26½	13½	ZeoNtl	.80	5.2	7	125	15¼	15⅛	15¼	
20⅝	11⅞	Zero	.36	2.8	13	165	12⅞	12	12⅞	+⅝
30¾	15	Zurnln s	.88	4.2	11	389	18¼	15⅞	18¼	+1¼
10⅝	7⅞	Zweig	.92e	11.		591	8¼	8⅛	8¼	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 47

FINANCIAL TIMES Wednesday December 9 1987

AMERICA

Programme buying lifts equities

Wall Street

SUBSTANTIAL computer programme buy orders pushed the US equity market sharply higher in the last half hour of trading yesterday after the Dow Jones Industrial Average had hovered inconclusively for most of the day around Monday's closing levels, *writes Janet Bush in New York.*

The Dow closed 56.20 points higher at 1,868.37, more than recouping Monday's loss of 45.43. Volume too was substantially higher at more than 228m shares, compared with only 146.6m on Monday although perhaps 61m of yesterday's turnover was confined to three stocks which were the subject of dividend plays.

Nevertheless, traders reported a healthy flow of orders and said, that even before the programme trading took a hold in the last half hour, they had seen good demand particularly for blue chip stocks mostly from domestic investors.

For most of the session, movements had been limited. The foreign exchange market provided little to trade on. A renewed drop in the dollar in Tokyo was something of a depressant but currency trading in New York was listless.

Remarks by Mr Alan Greenspan, US Federal Reserve chairman, yesterday, urging fiscal discipline in order to avoid more shocks to financial markets, had little noticeable impact.

There is some unwillingness in both bonds and equity markets to take aggressive positions prior to tomorrow's October trade figures. Estimates range widely from a shortfall of anywhere between $13.5bn and $16bn. A deficit of $14bn to $15bn has probably been discounted by financial markets. Anything below $14bn would be decidedly positive and anything above $15bn decidedly negative.

The US Treasury bond market failed to maintain a slight opening recovery and ended up to ¼ percentage point lower. The Treasury's benchmark 8.875 per cent 30-year issue closed $\frac{1}{32}$ lower to yield 9.23 per cent.

Bonds had been undermined on Monday by the Federal Reserve's decision not to add reserves to the banking system despite a firm Fed Funds rate. However, further interpretation of the Fed's inaction after release of figures showing a drop in cash balances at the Fed last Friday, went some way to allaying fears that the it may be tightening monetary policy.

Bond prices are currently closely tracking the performance of the stock market and the dollar, falling whenever the equity market shows strength and the US currency is falling.

Very actively traded stocks included Pacific Gas and Electric, McDermott International and New England Electric System. New England Electric, which went ex-dividend on Friday, rose $½ to $22¼. The other two companies go ex-dividend today. Pacific fell $⅛ to $17½ by midsession while McDermott eased $⅛ to $15⅞.

Among blue chip issues, IBM rose $2 to $111½, General Electric gained $¾ to $42¼ and Merck put on $½ to $158½.

Sterling Drug rose $2 to $47¼ after the company announced a food and drug administration panel had recommended approval of its drug Milrinone used in the treatment of congestive heart failure.

Texaco gained $¼ to $33⅝ after news that Trans World Airlines had filed for permission to buy more than 25 per cent of the company. TWA also said it holds a stake in Pennzoil, still locked in its long-running legal battle with Texaco. Pennzoil shares rose $1¾ to $76.

McGraw-Hill pared a midsession loss of $1⅜ to close $¼ lower at $49¼. The company announced yesterday it had signed contracts with New America Publishing and a related company to acquire an aerospace publishing group.

Canada

TORONTO stocks posted a broad advance, led by mining and energy stocks.

The composite index, which rose about 50 points early in the session, then slipped back at midday, closed up 68.80 at 3050.63. Advances outpaced declines by 514 to 359

Analysts said the market was reacting to last week's sharp declines. "This market has been trying to find a base. Some of the golds responded to the higher price of bullion," said Mr Laird Grantham

Robert Gibbens in Montreal examines bad times for a distinctive savings plan

Bears breach Quebec tax shelter

POST-CRASH bears have bitten the 200 or so smaller companies listed on the Montreal stock exchange under the Quebec province's pioneering stock savings plan harder than most Canadian issues.

After two years of sharply rising prices, stocks quoted under the Quebec Stock Savings Plan(QSSP) tax shelter have lost on average 40 per cent of their value on Canada's second exchange since hitting their peak last Spring. This is almost twice the decline of blue chips on the Toronto Stock Exchange, the country's biggest stock market.

Furthermore, about 40 planned QSSP new issues have been shelved indefinitely due to poor market conditions which have taken the wind out of the province's original scheme to boost investment in local comapanies.

The QSSP scheme was set up in 1979 by the former Parti Quebecois Government as a means both to ease the burden of Quebec's heavy progressive income tax and to encourage capital to remain in the French-speaking province.

Under the plan, only Quebec companies could seek a listing as QSSP shares, which are traded on the Montreal exchange, but as a distinctive group within it. Investors keep a separate account for QSSP shares with their brokers and the issues have their own price index.

Quebec taxpayers were attracted to the plan since they could deduct up to 150 per cent of the cost of buying QSSP stocks from the provincial segment of their income taxes, subject to certain limits. The benefits from the scheme have, however, since been scaled down as governments have felt the cumulative cost of the tax shelter – amounting to almost C$1bn – to be excessive.

About C$4bn($3.07bn) of new equity has been raised for companies in the province since the scheme's inception. This year investors can deduct up to C$5,500 or 10 per cent of income when they buy eligible QSSP shares, but higher income investors do not find them attractive.

The QSSP underwriting boom began in earnest in 1983 as Quebec funds looked for equity to help climb out of the recession. The QSSP market rose steadily in the next three years pulling in thousands of new investors. Nova Scotia, Saskatchewan and Alberta provinces set up similar plans, with the latter having raised about C$200m for local companies.

On average the QSSP stocks fell 12 per cent in the second and third quarters and slumped badly during the October crash after having outperformed other Canadian equities. Between 1982 and 1986 the QSSP index had risen 36 per cent, almost three times the rise in the Toronto Stock Exchange's 300 top blue chips. This year, though, new issues will have raised about C$350m against a peak of C$2bn in 1986.

Brokers have asked the Quebec Government to expand QSSP benefits to help support the market, but the Government has been cautious, allowing companies to buy back their stock and extending the deadline for 1987 QSSP purchases from December 31 to March 1 1988.

The QSSP market collapse is also bad news for the Montreal exchange as it struggles to hold its position against Toronto.

Analysts do not see any recovery likely in QSSP stocks until the market regains confidence more generally. Many new investors badly hit by the QSSP decline are seeking safer havens for their savings.

Underwriters, their inventory full of existing unsold issues, may soon be beefing up their merger departments.

ASIA

Bargain hunt spurs broad upswing

Tokyo

BUOYED BY stability in the yen and by the advance on Wall Street, share prices staged a broad rally in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

Returning to the trading floor, investors sought high-technology stocks, biotechnology issues and large-capitals on a bargain-hunting spree.

The Nikkei average spurted toward the close, surging 361.82 to 22,948.34. Volume was up moderately at 458.60m shares against Monday's 291.08m. Advances outnumbered declines by 653 to 241, with 115 issues unchanged.

Dealers said investors were also enlivened by renewed overseas buying. Foreign buy orders placed with the big four brokerage houses in the morning totalled 27m shares, against sell orders for 9.5m.

Small-lot purchases by investment trusts and *tokkin* specified money trusts triggered buying in leading stocks, especially high-techs, toward the close. Hitachi advanced Y60 to Y1,220 and NEC added Y70 to Y1,960, while Fujitsu and Matsushita Electric Industrial climbed Y50 each to Y1,210 and Y2,140 respectively. Fuji Photo Film soared Y140 to Y4,020 and Sony recovered to Y5,090, adding Y170.

Biotechnologies also posted strong gains. Yamanouchi Pharmaceutical gained Y160 to Y3,960 and Dainippon Pharmaceutical Y170 to Y2,900. Tanabe was Y100 higher at Y2,060.

Large-capital steels firmed, with Kawasaki Steel rising Y8 to Y356 on the day's heaviest trading of 47.35m shares. Nippon Steel, second on the active list with 28.86m shares, added Y4 to Y425, while Nippon Kokan advanced Y9 to Y329.

Speculators switched to car-related stocks, banking on profits because of rising demand for auto parts. Tokico soared Y65 to Y680, while Topy Industries closed Y22 higher at Y605 and Koito Mfg. ended up Y40 at Y1,410. Kayaba Industry went up Y30 to Y564.

Selling and buying in bonds remained mixed and trading was nervous throughout the day with the market moving narrowly as a variety of pessimistic and optimistic factors which came into play. Dealers expected a short-term economic outlook by the Bank of Japan would indicate business recovery, diminishing hopes for lower interest rates in the near future, while other focused on the US trade deficit for October, expecting to exceed $14.4bn, leading to the yen's appreciation and a drop in interest rates.

The yield on the 5.0 per cent Government bond due in October 1997 dropped from Monday's 4.800 per cent to 4.710 per cent before fluctuating narrowly around 4.730 per cent.

The upswing in New York helped lift prices on the Osaka Securities Exchange. The best performers were stocks of companies based in the Kansai region of western Japan. The OSE stock average rose a strong 262.06 to 23,168.66 on an estimated volume of 101.78m shares, up 56.68m from Monday.

Ono Pharmaceutical shot up Y350 to Y6,550 after posting a healthy advance in profits and Rohm climbed Y170 to Y4,030. But Morita Fire Pump fell Y70 to Y1,130 as recent speculative interest evaporated.

SOUTH KOREAN share prices weakened in trendless trade overhung by anxiety over the presidential election. The composite index ended 9.31 lower at 469.66. Turnover was won 85.2bn against won 96.3bn.

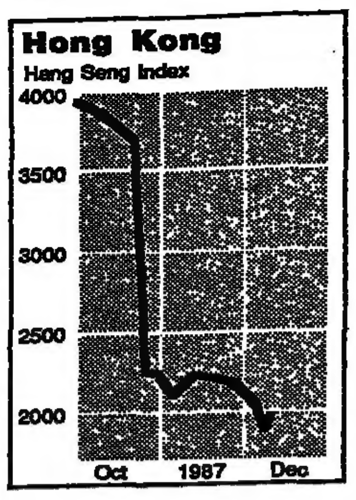
The market slipped from an easier start despite some institutional buying and found no comfort from news of an offshore gas find.

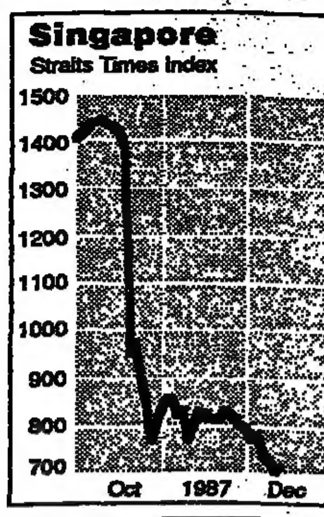
Financial and construction issues led fallers. Elsewhere, Daishin Securities lose won 1.300 to won 33,700, Hyundai Construction won 600 to won 10,200 and Samwhan won 400 to won 23,000.

Australia

THE LOWER bullion price and a sell-off in resource stocks took share prices in Sydney lower for the fourth day in a row. Volume remained low.

The All Ordinaries index shed 12.6 to 1,219.4 after local institutions took profits on an early rally.





The market remained deeply cautious, declining to follow New York's rally on Monday and taking little heart from a rebound in the copper price.

Gold stocks sustained the largest falls due to uncertainty over the future of bullion prices before OPEC's oil price meeting.

Australian Consolidated Minerals lost 70 cents to A$4, while 10 cent falls took Renison to A$8.20, Gold Mines of Kalgoorlie to A$5.50 and Giant Resources to A$1.40.

Among the leading miners, WMC ended 6 cents lower at A$5.20 and CRA finished 25 cents down at A$4.85.

Market leader BHP closed 16 cents down at A$6.24 after trading between A$6.10 and A$6.50.

Industrial issues, particularly banks, food, alcohol and building stocks, were strongly sought in early trade but most lost any early gains.

Hong Kong

BLUE CHIPS led a technical rebound in Hong Kong after Monday's declines. Property stocks moved up smartly, closely followed by utilities.

The Hang Seng index climbed 91.18 to 1,986.12, but volume remained light.

Among property shares, Sun Hung Kai Properties rose 35 cents to HK$7.75, New World Development added 25 cents to HK$6.60, HongKong Land jumped 60 cents to HK$6.25 and Hang Lung Development rose 37.5 cents to HK$4.175.

In higher utilities, Hong Kong Telephone was up 80 cents to HK$10.90, Hong Kong & China Gas up 20 cents to HK$11.20 and HongKong Electric was up 15 cents at HK$6.45.

In the commercial and industrial sector, World International rose 9.5 cents to HK$2.075, Wharf Holdings added 30 cents to HK$5.30, Swire Pacific A advanced 80 cents to HK$13.00 and Jardine Matheson put on 30 cents to HK$8.80.

Singapore

TRACKING higher prices in New York, London and Tokyo, stocks in Singapore climbed, but the underlying mood of the market remained bearish, triggering profit-taking on the early advance which left the majority of shares off their highs.

The Straits Times industrial index added a net 4.02 to 704.47 in somewhat higher, but still comparitively thin volume.

National Iron rose 22 cents to S$4.12, Singapore Press added 15 cents to S$6.20, DBS put on 15 cents to S$7.75 and Malayan Breweries advanced 10 cents to A$6.80.

Sime Darby was the most active stock and added just 1 cent to S$1.69. UIC gained 2 cents to S$1.41.

SOUTH AFRICA

A SLIGHT improvement in the bullion price lifted Johannesburg gold shares gently towards the close in a quiet session.

Leading golds Vaal Reefs and Randfontein added R5 apiece to R345 and R285 each, while Free-gold made up 50 cents to R40.50 and Driefontein rose R1.25 to R37.75. The sector index was a provisional 37 higher at 1,715.

De Beers rallied from several weeks in the doldrums with a R1 gain to R29.35. Mining financials also gained ground, with Anglo American managing a 25 cent rise to R60.50. Platinums, though, eased. Impala was 50 cents cheaper at R29.

Industrials made little progress, with sector leader Barlow Rand still at R20 and South African Breweries also steady at R16.50.

EUROPE

Dollar lends support to blue chips

THE FIRMER dollar and overnight gains on Wall Street encouraged selective bargain-hunting for blue chips in Europe yesterday, lifting major bourses quietly higher. The underlying mood remained cautious with many investors remaining on the sidelines awaiting the release of US trade data for October, due out on Thursday.

FRANKFURT firmed as the US currency steadied on European exchanges, but the muted rally was largely fuelled by speculative buying in dollar-sensitive issues such as cars and electricals.

The Commerzbank index rose 4.25 to 1,296.9 and the Boersen-Zeitung index added 4.72 to 273.37.

Cars, which fell sharply last week, posted the best gains. Daimler rose DM11 to DM614, Porsche gained DM20 to DM415, VW added DM3.50 to DM225 and BMW climbed DM12.50 to DM430.50.

Blue chip Siemens climbed DM6 to DM377, AEG rose DM5.10 to DM223.80 and Nixdorf was unchanged at DM540.

In banks, Deutsche firmed DM3.50 to DM394.50, Dresdner rose DM5 to DM229.50 and Commerzbank gained DM2 to DM220.50.

The Bundesbank sold a modest DM12.2m of public authority bonds, reflecting the thin volume in the market.

In chemicals, BASF rose DM4.50 to DM250, Bayer added DM6.50 to DM257 and Hoechst firmed DM6.50 to DM254.50.

Blue chip Siemens climbed DM6 to DM377, AEG rose DM5.10 to DM223.80 and high-tech Nixdorf was unchanged at DM540.

AMSTERDAM posted a modest advance but many early gains were pared by a general wind-down of business for the year and by uncertainty before Thurday's US trade data for October.

The weighted ANP-CBS index added 3.5 to 202.5 and the broader CBS Tendency index rose 0.5 to 62.2.

Blue chips ended firmer with Unilever up Fl 1 at Fl 97.50, Royal Dutch 80 cents higher at Fl 194.30 and Akzo rising Fl 1.30 to Fl 86.90. KLM was the only international to decline, losing 90 cents to Fl 25.70.

Philips, announcing an unchanged interim dividend, rose 40 cents to Fl 28.10.

PARIS edged narrowly higher after a choppy day of bargain-hunting and profit-taking.

Still cautious after recent falls, investors favoured banks and blue chip industrials but see-saw trading left most prices off their morning highs.

Leading blue chips firmed, with Lafarge-Coppee gaining FFr50 to FFr1,090, Paribas adding FFr7.50 to FFr278, Cie du Midi rising FFr14 to FFr962 and Elf Aquitaine climbing FFr4 to FFr237.

Electronics stocks picked up after leading the market's previous decline. Matra added FFr79 to FFr1,350 and Legrand advanced FFr95 to FFr2,040.

ZURICH received a boost from the overnight gain on Wall Street and signs of stability in the dollar but there was underlying uncertainty about the US trade data for October.

The Credit Suisse index rose 4.6 to 411.4, but trade remained thin.

Most sectors recovered their losses of the previous day with banks, industrials and chemicals posting modest gains.

BRUSSELS turned mixed with a firmer bias but volume remained very light with many traders preferring to wait until after Sunday's general election before committing themselves.

The Brussels stock index rose 7.71 to 3,558.82.

An announcement that the Banque Nationale de Belgique had cut a series of interest rates had little effect on the market.

The most active sector was chemicals where Solvay climbed BFr150 to BFr9,650 and UCB added BFr270 to BFr7,170.

Elsewhere, movements were narrow with most sectors mixed.

Steelmaker Arbed rose BFr66 to BFr1,196 after announcing it was taking full control of two French companies.

STOCKHOLM climbed from the start, trailed at midsession and then swung upwards towrds the close as the market tipped in line with Wall Street.

The Affaersvaerlden general index rose 7.6, or 1.2 per cent, to 659.4 in moderate turnover.

The firmer dollar helped blue chips industrials build on the previous day's gains.

OSLO steadied after the previous day's decline. Bargain-hunters went on a selected spree, picking up cut-price blue chips, but continuing concern over oil prices curtailed a broad advance.

The all-share index inched up 0.78 to 243.46 as gains in shipping and bank stocks slightly offset declines in oils and industrials.

HELSINKI was little changed, edging up slightly as forestry and industrial issues posted modest gains.

The Unitas all-share index added 0.6 to 571.7 in more lively trading as investors, encouraged by a better showing on Wall Street, returned to the floor.

MILAN was closed for a local holiday.

London

THE SWIFT raid on Britoil shares by British Petroleum buoyed sentiment in London, although trade remained for the best part selective. The FT-SE 100 index ended the day 26.0 higher at 1,624.4.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY DECEMBER 8 1987					MONDAY DECEMBER 7 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (89)	90.96	-0.9	75.07	86.51	4.76	91.81	75.85	87.32	180.81	85.80	96.81
Austria (16)	90.83	+0.1	74.96	78.68	2.66	90.70	74.93	78.68	102.87	85.53	95.13
Belgium (48)	95.36	+0.8	78.70	82.43	5.75	94.63	78.18	81.79	134.89	94.63	97.13
Canada (127)	105.38	+2.7	86.97	99.89	3.10	102.59	84.76	97.39	141.78	98.15	99.72
Denmark (38)	110.38	+0.9	91.09	96.46	3.06	109.41	90.39	95.94	124.83	98.18	98.81
France (121)	79.43	+0.9	65.55	70.43	3.77	78.71	65.03	69.94	121.82	77.39	100.31
West Germany (93)	73.09	+0.7	60.32	63.38	3.00	72.55	59.94	63.05	104.93	68.91	96.21
Hong Kong (46)	76.68	+3.7	63.28	76.61	6.40	73.92	61.07	73.89	158.68	73.92	95.28
Ireland (14)	96.93	+2.5	80.00	85.61	5.29	94.59	78.15	83.59	160.22	93.50	97.09
Italy (94)	76.43	+0.1	63.08	70.21	2.72	76.37	63.09	70.21	112.11	72.04	89.37
Japan (457)	139.59	+1.5	115.20	117.09	0.59	137.54	113.63	115.41	161.28	100.00	96.38
Malaysia (36)	94.37	+0.6	77.88	90.93	4.01	93.76	77.47	90.37	193.64	93.76	97.49
Mexico (14)	116.83	-1.6	96.41	286.76	1.04	118.72	98.08	292.06	422.59	99.72	99.94
Netherland (37)	91.04	+0.6	75.14	78.00	5.76	90.52	74.79	77.65	131.41	87.70	97.75
New Zealand (20)	75.72	+0.8	62.49	62.91	5.35	75.09	62.04	62.35	138.99	75.09	92.45
Norway (24)	96.41	+0.9	79.56	84.66	3.23	95.51	78.91	83.91	185.01	95.51	96.94
Singapore (27)	81.21	-0.5	67.02	76.15	3.14	81.65	67.46	76.55	174.28	81.21	99.78
South Africa (61)	135.45	+0.9	111.78	91.12	4.70	134.26	110.92	90.32	198.09	100.00	101.73
Spain (43)	116.19	+0.2	95.89	98.98	4.16	115.93	95.78	98.98	168.81	100.00	94.37
Sweden (34)	94.26	+1.4	77.79	84.14	2.71	93.00	76.83	83.09	136.64	88.50	95.60
Switzerland (53)	76.41	+1.5	63.05	64.61	2.56	75.26	62.18	63.73	111.11	73.65	95.99
United Kingdom (332)	118.99	+1.7	98.20	98.20	4.72	117.00	96.66	96.66	162.87	99.65	94.09
USA (582)	95.46	+2.5	78.78	95.46	3.86	93.11	76.92	93.11	137.42	91.21	103.33
Europe (947)	95.74	+1.2	79.01	81.56	4.13	94.62	78.17	80.72	130.02	92.25	95.15
Pacific Basin (675)	135.34	+1.5	111.69	114.49	0.81	133.40	110.21	112.90	158.77	100.00	96.35
Euro-Pacific (1622)	119.53	+1.4	98.64	101.35	1.88	117.92	97.42	100.05	143.65	100.00	95.88
North America (709)	95.99	+2.5	79.21	95.73	3.81	93.61	77.34	93.37	137.55	91.68	103.14
Europe Ex. UK (615)	81.32	+0.7	67.11	71.14	3.58	80.74	66.70	70.75	111.97	78.89	95.83
Pacific Ex. Japan (218)	83.93	+0.7	69.27	80.25	5.22	83.35	68.87	79.71	164.03	83.17	96.06
World Ex. US (1824)	119.21	+1.4	98.38	101.34	1.95	117.56	97.13	100.01	143.38	100.00	96.08
World Ex. UK (2074)	109.14	+1.8	90.07	99.51	2.36	107.23	88.59	97.81	138.82	100.00	99.37
World Ex. So. Af. (2345)	109.84	+1.8	90.65	99.38	2.57	107.92	89.16	97.69	139.47	100.00	98.88
World Ex. Japan (1949)	95.84	+2.0	79.09	90.26	3.98	93.99	77.65	88.56	134.22	92.98	100.11
The World Index (2406)	110.01	+1.8	90.78	99.35	2.59	108.09	89.30	97.67	139.73	100.00	98.90

Base values: Dec 31, 1986 = 100

Austrian, Spanish and Italian markets were closed for public holidays on December 8.

Company Notices

Legal Notices

Contracts & Tenders

Art Galleries

صورة من الاصل